Marshall Field's



TARGET

# Dayton Hudson Corporation 1994 Annual Report

DAYTON'S

mervyn's

HUDSON'S

## Contents



## About the Company

**Dayton Hudson Corporation,** America's fourth largest general merchandise retailer, is committed to being a premier growth company and corporate citizen. Each of our operating divisions strives to be a major force in its geographic markets, retail category and customer segment.

**Target,** which accounts for 64% of our revenues, is an upscale discount chain of 611 stores in 32 states, providing quality merchandise at low prices in guest-friendly stores.

**Mervyn's,** which contributes 21% of our revenues, is a middle-market promotional department store emphasizing name-brand and private-label casual apparel and home soft goods through 286 stores in 15 states.

**Department Store Division,** which provides 15% of our revenues, offers trend leadership, quality merchandise and superior service through 63 Dayton's, Hudson's and Marshall Field's stores in nine states.

**We are committed to** serving our guests better than the competition with trend-right, high-quality merchandise at very competitive prices. We are committed to being a low-cost, high-quality distributor of merchandise through "boundaryless" functioning — through leveraging resources, expertise and economies across divisions. Our primary objective is to maximize shareholder value over time. We believe we will achieve a compound annual fully diluted earnings per share growth of 15% over time, while maintaining a prudent and flexible capital structure.

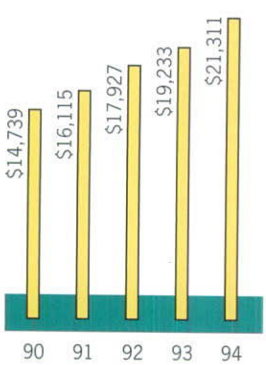
# Financial Highlights



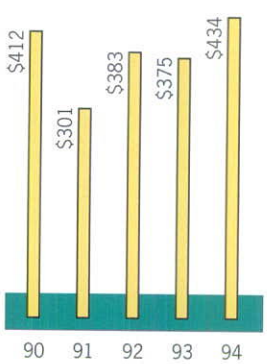
*(Millions of Dollars, Except Per Share Data)*

| For the Year | 1994 | 1993 | Change |
|---|---|---|---|
| Revenues | **$21,311** | $19,233 | 11% |
| Net earnings | **$ 434** | $ 375 | 16% |
| Fully diluted earnings per share | **$ 5.52** | $ 4.77 | 16% |
| Cash dividends declared per share | **$ 1.68** | $ 1.62 | 4% |
| **At Year-end** | | | |
| Common shares outstanding | **71,690,000** | 71,525,000 | |
| Number of shareholders | **11,293** | 11,707 | |
| Retail square feet | **101,400,000** | 94,184,000 | |
| Number of stores | **960** | 893 | |

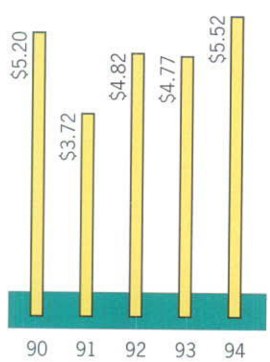
- Led by exceptional performance at Target, the Corporation achieved record revenues, operating profit, earnings and fully diluted earnings per share in 1994.
- Comparable-store revenue growth of 5% was the largest percentage increase since 1989.
- Total operating profit reached a record $1,208 million compared with $1,109 million in 1993, a 9% increase, despite a significantly lower LIFO credit.
- The Corporation's debt ratio was lowered again in 1994, to 57%, compared with 59% in 1993 and 61% in 1992.
- Capital expenditures were $1.1 billion for constructing new stores, remodeling existing stores, improving distribution and upgrading systems and technology.




Revenues




Net Earnings




Earnings per Share

**To our Shareholders:** I am very pleased with our 1994 financial results. We achieved record earnings, operating profit and revenues. Net earnings increased 16% to $434 million, including a pre-tax LIFO credit of $19 million. That compares to last year's $375 million, including a $91 million pre-tax credit from LIFO. Operating profit rose 9%, because our operating results were strong enough to more than offset the significantly lower LIFO credit.

I am also pleased that, while setting these marks, we made significant progress on a number of forward-looking strategic initiatives. During 1994, we began to leverage the size and strength of the entire corporation against the operating objectives of each of our three retail operations. We're doing this by creating a "boundaryless" organization where "speed is life." What is powerful about the approach is its simplicity. It means taking all the tools we have across the corporation and concentrating them on our primary purpose—serving guests by providing them with the merchandise they want. It means sharing resources and expertise between divisions. It means taking advantage of the natural increase in speed that comes from eliminating organizational boundaries and layers. It means looking at every idea that works in one of our divisions to see if it would work just as well in another.

Boundaryless functioning increases the competitive clout of our divisions by giving them the resources, the negotiating strength and the economies of a single, unified $21 billion retailer.

Target's performance in 1994 was exceptional. Our 7% comparable-store revenue increase is our strongest in over 10 years. Since we introduced value pricing, Target has had three consecutive years of 5% or higher comparable-store revenue increases. Research confirms that Target has improved its value impression against its largest competitors, through powerful merchandising, advertising, presentation and signing.

Target's performance is being fueled by continuous improvement in a number of key areas, including:

- store format enhancements issuing from the Greatland prototype
- better inventory management technology resulting in improved merchandise in-stocks
- motivated service for our guests
- micro-marketing, the multi-tiered system that helps us manage our assortment emphasis on a store-by-store basis.

Target continues to be our primary growth vehicle and will open 60 to 70 new stores this year. We are exploring the Mid-Atlantic and Northeast, our next major opportunity, for 1996 and 1997. We have also completed the initial development of our supercenter concept and are opening the first two SuperTargets in Omaha, Nebraska and Lawrence, Kansas this year.

The Department Store Division had another good year. Operating profits were up over last year on the strength of operating results that more than offset a lower LIFO credit.

Our Department Stores enjoy leadership positions in their home markets. We are strengthening that base by investing more in stores and technology than we have at any time since the Marshall Field's acquisition. That means many efficiency enhancements in the area of logistics. More visibly, it means a major remodeling program, which included four major projects in 1994 and another three that will be undertaken this year.

In January of 1995, we announced that we were bringing Mervyn's stores to the Twin Cities, our headquarters market, through an acquisition of Carson, Pirie, Scott store real estate. The new stores represent the next step in the development of the Mervyn's prototype and reflect our commitment to Mervyn's growth. The entry will make this market an incubator for the boundaryless interaction of our three companies. It will stimulate the exchange of ideas between our companies and help keep our focus where it should be: on making things happen in the stores. The entry of Mervyn's stores into our headquarters market is a sign of how important we think the creation of a boundaryless organization is to the future of Dayton Hudson Corporation.

## Target, our primary **growth** vehicle, will open 60 to 70 new stores in 1995.

Mervyn's 1994 performance improvement came primarily from the re-engineering of its profit formula. We sharply reduced the inventory level by the end of 1993 and throughout 1994 enjoyed the financial and operational benefits of higher inventory turns.

Looking forward, Mervyn's has made critical progress toward re-energizing its customer base. We broadened the assortment and added important new merchandise categories chainwide. Drawing on the boundaryless resources of the corporation, we thoroughly remodeled and re-merchandised 11 Colorado stores in less than six months, creating a laboratory for the ongoing re-invention of the Mervyn's concept. Mervyn's also made progress in upgrading its merchandise content, presentation and planning systems to help us manage the new Mervyn's as it becomes a reality.

Sincerely,

Bob Ulrich

Bob Ulrich
*Chairman of the Board and Chief Executive Officer*
*March 31, 1995*

# The knowled
# of 3 retailers
# in 1 corporation.

Dayton Hudson operates three general-merchandise store formats.

# ge & power


**Because our stores compete** in different segments, we have the broadest and deepest assortment of merchandise of any major retailer. Likewise Dayton Hudson has a substantial breadth of resources in management and functional expertise, in marketing and trend merchandising insight, in technological know-how, and in the chain-store disciplines.

In 1994 we began to leverage these advantages by creating a boundaryless organization—sharing resources and expertise between divisions—and by adopting the philosophy that "speed is life." Without boundaries an organization naturally accelerates, and the faster we move, the more we can do.

Each of our divisions competes against larger retailers in its respective segment—Target in the discount segment, Mervyn's in the middle market and the Department Stores Division in its segment. By eliminating boundaries and accelerating our speed, we put the knowledge and power of a $21 billion retailer behind each of our operating divisions.

During 1994, boundaries were removed in merchandising, store design, credit management, product development and more.

**In re-making itself for its guests,** Mervyn's took advantage of existing merchandising expertise at both Target and the Department Store Division. During 1994, Mervyn's added new merchandise categories and expanded others to enhance current selections. The new categories include maternity, petites, large-size dresses, and body and bath. The categories that were expanded include boys' basics,

**Our divisions** *are joint-purchasing supplies like paper for advertising circulars.*

The home business performed well at both Target and the Department Stores in 1994.

Club Wedd, Target's innovative bridal registry that uses portable scanning equipment, will be rolled out chainwide in 1995.

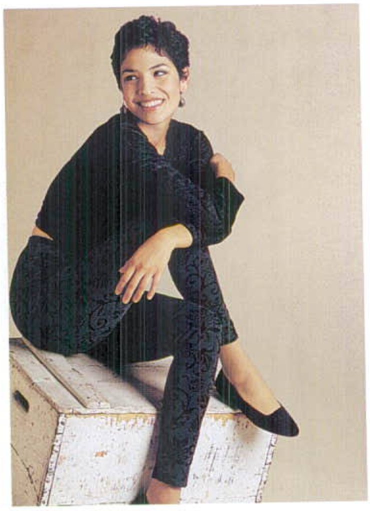
men's and children's pro and college sports apparel, and licensed apparel for children. The additions were completed chainwide in time for the holiday season.

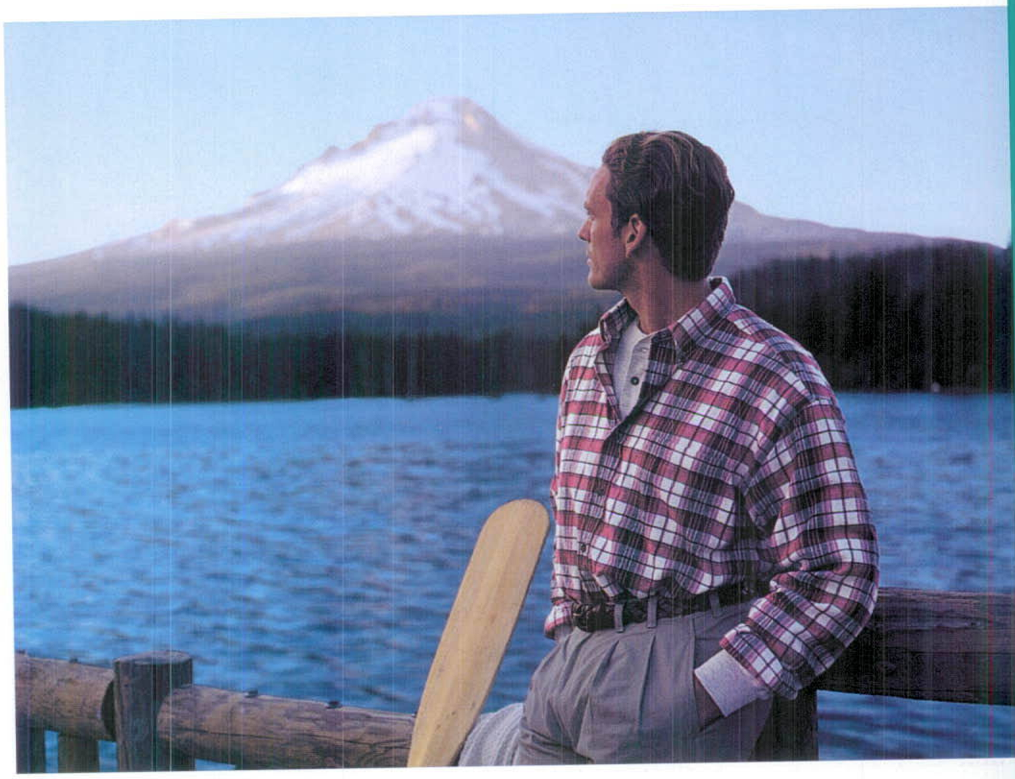
In Denver, 11 Mervyn's stores were fundamentally transformed and remodeled with these changes and many more, utilizing the full range of both Mervyn's and Target's resources. The "Colorado Project," as it is called, is a laboratory for further experimentation in the making of the new Mervyn's. The changes were conceived, planned and executed in only five and a half months. The additional categories being tested include children's music, movies and books, casual luggage, infant accessories and party goods. The floors and fixturing were reconfigured to display more merchandise yet have wider aisles. The level of light in the stores was nearly doubled and lines of vision improved. The selling floors were increased in size by almost 10% and stockroom space was reduced. One of the most successful improvements was a centralized guest service area at each of the entrances for greater convenience.

**Target has benefitted from boundaryless functioning** in the area of private-label product development by learning from a computer-aided design and project management system developed by Mervyn's. The new system is shortening production lead times, which allows us greater flexibility

# The **boundaryless** organization has no restrictions on idea & resource leveraging.

**Mervyn's added petites (below) and other new categories last year. Field Gear (right) is the Department Stores' most successful private-label line.**





to respond to emerging product trends. The two companies are currently working together on further development to enhance ease-of-use and to further improve the quality and consistency of our private-label offerings.

**Trend right merchandise** differentiates all three Dayton Hudson operating divisions from their competition. By sharing conceptual trend information between our divisions, we can better leverage the trend leadership of the Department Store Division and better differentiate all of our assortments. We are also sharing assortment timing information and establishing corporate-wide common dates for converting to Spring, Summer, Back-To-School, Fall, and Holiday.

**The consolidation** of the credit operations of Mervyn's and the Department Stores in a single location in Minneapolis will be finalized this year. Credit is an increasingly important part of Dayton Hudson's business. Internal credit sales account for over 45% of the Department Store Division's sales and almost 40% of Mervyn's sales. Our card-holders shop more frequently, buy more frequently and make higher average purchases than other guests. In addition, our credit operations generate attractive financial returns.

The consolidated credit operation will also yield cost savings. It will better leverage credit solicitation and promotional programs. Credit tests will now need to be


**Target increased its advertising media intensity last year and recorded its best comparable-store revenue performance since 1984.**

run only once rather than three times, because the results will be more easily shared between divisions. Guest purchasing behavior captured in a consolidated database will ultimately provide a powerful tool for credit and potentially for database marketing purposes.

The consolidation of our credit operations will also bring all of our credit expertise to bear on the introduction and marketing of the Target Guest Card, our newest proprietary credit card.

**The property development** resources of Target and Mervyn's were pooled when the two departments were consolidated in the fall of 1994. The new department was a major reason the Mervyn's Colorado Project was completed successfully and on schedule. It also played a significant part in the cross-company effort behind the acquisition of eight Carson, Pirie, Scott stores in the Twin Cities, six of which will be Mervyn's stores and two of which will be Dayton's stores. The consolidated property development department is now working together with the Department Store Division on its two new Home Stores in Chicago, scheduled to open in 1996.

**Boundaryless operating** is having an immediate impact in the freight transportation area. In 1994, joint negotiation of domestic freight transportation contracts saved millions of dollars. Using carriers to backhaul between Mervyn's and the Department Stores also reduced costs. More freight savings in 1995 will come from a common freight billing and payment program, a single dedicated freight carrier between Target and Mervyn's California distribution centers and the stores, a common corporate contract for overseas transportation, and from leveraging import volumes of all three divisions for rate negotiation purposes.

**Information systems** provides one of the greatest opportunities for taking advantage of and promoting boundaryless operation. Common systems across divisions are an important part of our vision for the future, but we are very early in the evaluation process. We know from the experience of other large, multi-divisional companies that the potential productivity gains and financial benefits of common systems are substantial.

In the meantime, there are a number of examples of specific systems that have obvious application across companies. In point-of-sale systems, our objective is to combine the capabilities and speed of Target's with the

functionality and customer services of the Department Stores' system. In distribution systems, we want to exploit commonness of process while considering the special needs of each division. Target's sophistication in inventory management systems is being leveraged across the other two divisions. Space allocation and shelf management is another example where Target's expertise can help both Mervyn's and the Department Stores give every category and item the right amount of space to minimize inventory handling and backroom storage. Target is currently developing a Global Order Management System which ties together merchandise unit planning, financial planning, open-to-buy and ordering, while it blurs the lines between domestic and overseas ordering. Once complete, the system will be rolled out to both the Department Stores and Mervyn's.

**In 1994,** we completed and benefitted from a number of technological advances, some the result of boundaryless interaction, others representing opportunities for sharing going forward.

## **Speed** is the key to doing more with less.

# Sharing technology between divisions is yielding immediate results.


The Department Stores' aggressive Levi's strategy drove strong growth in the young men's business.

Our breadth of selection ranges from Department Store designer fashions to tents from Target.

Target TV, a satellite video broadcasting system, was launched. Target TV provides instantaneous two-way communication between all stores, distribution centers and central offices on products, promotions and company-wide news.

Target's Automated Chargeback System is a paperless system that is making returns-to-vendor processing significantly more efficient for store personnel.

Mervyn's installed Target's automated markdown system, which takes markdowns based on an individual store's supply and demand performance rather than an average for the entire chain.

The Department Stores have a new system using portable radio-frequency scanners that, by automating price changes and major-sale setup, has become a significant productivity tool for store personnel.

Club Wedd, Target's innovative bridal registry which also uses portable scanning equipment, was tested and proved a very successful sales generator. In 1994, it was rolled out to 380 stores and in 1995 will be extended to the remainder of the chain.

The emphasis on leveraging across divisions, on speed and on performance drove improvements at each of the operating divisions during the last year.

**Speed** *is life... is life... is life.*

Target's private-label fashions are benefiting from a product-development system developed by Mervyn's.


Credit is becoming an increasingly important part of our business and our credit operations are being consolidated in order to maximize its impact.

**Target's performance** was strong and consistent across most merchandise categories and geographical regions throughout 1994. The value impression of the Target offering gained strength during the year through insightful merchandising and powerful presentation and signing. A new advertising theme, "Expect more, pay less," was introduced at the beginning of the year. Advertising media intensity was increased and maintained throughout the year.

At the same time, our micro-marketing program helped us improve our merchandise assortments on a store-by-store basis. Micro-marketing is our system for targeting the assortment emphasis of each individual store to its actual guests, based on regional, climatic, demographic and ethnic factors.

Going into 1995, Target will open 60 to 70 new stores. The bulk of the expansion will be in existing markets in California, Texas, Georgia, Illinois and other states. Our most significant new market will be Cleveland/Akron, Ohio, which we will enter initially with six stores and will continue to expand with approximately 20 new stores.

Target has begun exploring the mid-Atlantic and Northeast regions, which account for approximately 40% of the U.S. population. The markets being considered for 1996-1997 entry include Washington, D.C.; Baltimore,

Maryland; and Rochester and Buffalo, New York. As always, our growth will be contiguous to minimize distribution routes, and we will lock up a critical mass of store sites before entering a market in order to maximize advertising efficiencies.

In 1994 Target completed initial development of its supercenter concept and in 1995 is opening two test stores in Omaha, Nebraska and Lawrence, Kansas, which are 195,000 and 160,000 square feet in size, respectively, with 40,000 to 45,000 square feet devoted to grocery. The high quality grocery offering is consistent with the Target image and priced with the best competitor in the market. Expanded services include floral, a coffee and espresso shop, banking and more. Cross-over categories, such as health and beauty aids, chemicals and paper products, link the grocery and general merchandise areas and facilitate cross-over shopping. Up to 20 additional supercenter stores in the following two years will provide data to determine the prospects for future expansion.

**Mervyn's performance in 1994** showed improvement primarily due to the gross margin benefits of lower markdowns and lower inventories. Total revenues increased 3%, while comparable-store revenues remained unchanged from last year.

Mervyn's took several steps toward increasing its sales growth. New merchandise categories were added to broaden the stores' appeal. Between May and November, the Colorado Project was completed as a learning laboratory for re-inventing the Mervyn's store. In 1995, Mervyn's will enter the Twin Cities, Dayton Hudson's headquarters market, with seven stores through an acquisition of Carson, Pirie, Scott store buildings.

In October, Paul Sauser, president and chief operating officer, assumed responsibility for Mervyn's, Raj Joneja was promoted to executive vice president of merchandising and marketing, and Gary White, to executive vice president with responsibility for the entire stores organization.

**The Department Store Division** in 1994 enjoyed operating results that more than offset a lower LIFO credit. Value pricing in moderate women's apparel and in Levi's products helped drive solid sales gains, while the better apparel business was also strengthened. The home business was also strong throughout the year.


The division demonstrated its commitment to the future with its ambitious remodeling program, including the stores at Old Orchard and Woodfield in Chicago, Summit Place in Detroit, and The Galleria in Dallas. A major remodel of the Water Tower Place store in Chicago will be completed in 1995, as will remodels at Ridgedale in the Twin Cities and Lakeside in Detroit.

A new Marshall Field's store in Columbus, Ohio, opening in 1997, and two Home Stores in Chicago, opening in 1996, were announced. During 1995, the new store at Northbrook Court near Chicago is scheduled to open.

We are leveraging the **trend** leadership of our Department Stores.

# Our companies are learning from each other.

*(left to right) Julius Jones, Regional Senior Vice President, Target; Sue DeNuccio, Vice President, Stores and Distribution Personnel, Target; Susan Hoyt, Executive Vice President, Stores and Visual Presentation, Department Store Division (also inset).*

*Susan Rodriquez, Regional Vice President, Target (also inset); Karen Grabow, Vice President, Human Resources, Target; Gary White, Executive Vice President, Stores, Mervyn's; Ray Steffner, Group Vice President, Dayton's; Bart Butzer, Regional Senior Vice President, Target.*

*Fred Asher, Vice President, MIS, Department Store Division; Vivian Stephenson, Senior Vice President, MIS, Mervyn's; Paul Singer, Vice President, Systems & Technology, Target (also inset); Tom Jeffery, Senior Vice President, Information Services, Target.*

*Ertugrul Tuzcu, Senior Vice President, Planning & Distribution, Department Store Division; Linda Ahlers, Senior Vice President, Merchandising, Target; Mitch Stover, Vice President, Distribution, Department Store Division; Dennis Green, Vice President, Merchandise Planning & Logistics, Mervyn's; (inset) Jeri Swierzewski, Vice President, Distribution Operations, Target.*

**Cross-company Stores teams share best practices in guest service and employee motivation. The Logistics team shares ideas on distribution-center systems. Looking long term, the Systems team evaluates the advantages of common systems across the three divisions.**

# Analysis of Operations

*(Millions of Dollars, Except Per Share Data)*

We reported record revenues, operating profit, earnings and fully diluted earnings per share in 1994. Net earnings grew 16% to $434 million compared with $375 million in 1993 and $383 million in 1992. Fully diluted earnings per share were $5.52 in 1994 versus $4.77 in 1993 and $4.82 in 1992.

In 1994, all three operating divisions reported an increase in operating profit. Operating profit is LIFO earnings from operations before corporate expense, interest and income taxes. Target maintained its strong earnings momentum, while Mervyn's performance improved and the Department Store Division (DSD) recorded another year of solid performance.

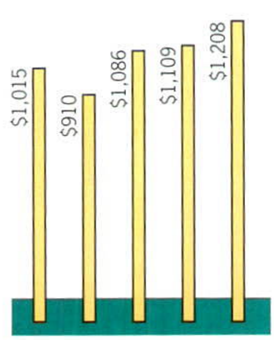
Total operating profit grew 9% to $1,208 million compared with $1,109 million in 1993 and $1,086 million in 1992. Target had another record year with an 11% increase in operating profit, while Mervyn's increased 15% and DSD increased 1% to a new record. Operating profit in 1994 was affected by a substantial decrease in the year-over-year LIFO credit. The pre-tax LIFO credit in 1994 was $19 million versus $91 million in 1993.

The earnings variance analysis, presented below, and associated discussion represents management's view of the business and differs from the classifications in the Consolidated Results of Operations. Revenues include sales, as well as finance charges and other revenues. The gross margin rate includes cost of retail sales and excludes buying and occupancy costs. The operating expense rate includes buying and occupancy costs; selling, publicity and administrative expenses excluding start-up and corporate and other expense; depreciation and taxes other than income taxes. Start-up expenses are costs associated with opening new stores and remodeling existing stores.

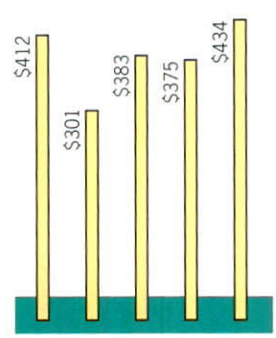
Due to significant growth at Target, our lowest margin division, the Corporation's overall revenue growth and operating expense rate were favorably affected, while the gross margin rate was unfavorably affected. We expect these trends to continue.

The table below identifies the major factors in the change in earnings per share:

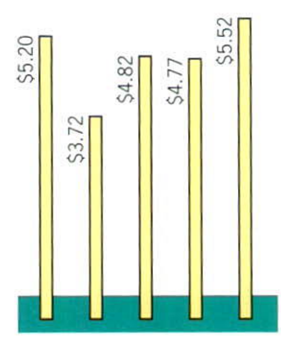
| Earnings Variance Analysis | 1994 vs. 1993 | 1993 vs. 1992 |
|---|---|---|
| Prior year's earnings per share | **$4.77** | $4.82 |
| Change due to: | | |
| Revenues | **1.17** | .59 |
| Gross margin rate | **(.05)** | (.52) |
| Operating expense rate | **(.19)** | (.02) |
| Start-up expenses | **(.14)** | .06 |
| Interest expense, net | **.13** | (.08) |
| Corporate and other expense, net | **(.07)** | (.03) |
| Income tax rate | **(.10)** | (.05) |
| **Earnings per share** | **$5.52** | $4.77 |



Operating Profit



Net Earnings



Earnings per Share

# Analysis of Operations

*(Millions of Dollars, Except Per Share Data)*

## Revenues

The Corporation reported an 11% increase in total revenues and a 5% increase in comparable-store revenues in 1994 despite continued deflation of retail prices at each of the operating divisions. Comparable-store revenues are revenues from stores open longer than a year. Target's strong revenue increase reflected both new and existing store growth, effective advertising and superior merchandising execution. Mervyn's revenue showed a modest improvement due primarily to new store growth. DSD's revenue increase was mainly due to growth in home and moderate-price merchandise. The operating divisions' revenues were also aided by increases in finance charge revenues associated with growth in our proprietary credit card operations.

The 1993 overall revenue growth reflected Target's new store expansion and the continued success of its value-pricing strategy, along with DSD's additional promotional events. Mervyn's revenue decline reflected the effect of orienting its guests to a more balanced value-pricing and promotional strategy. Additionally, both Target and Mervyn's results were impacted by their substantial presence in the California market, which remained depressed throughout the majority of 1993.

| Revenue Growth | 1994 | | 1993 | |
|---|---|---|---|---|
| | **All Stores** | **Comp. Stores** | All Stores | Comp. Stores |
| Target | 16% | 7% | 13% | 5% |
| Mervyn's | 3 | – | (2) | (6) |
| DSD | 3 | 3 | 1 | 1 |
| Total | 11% | 5% | 7% | 1% |

One measure used to evaluate store productivity is revenues per square foot. Higher revenues per square foot at Target reflected solid base business growth, partially offset by the inherent lower productivity of new stores. Mervyn's decline primarily represented the inherent lower productivity of new stores in conjunction with unchanged comparable-store revenues. DSD's growth was due to higher revenues on an unchanged square footage base.

| Revenues Per Square Foot* *(Dollars)* | 1994 | 1993 | 1992 |
|---|---|---|---|
| Target | $222 | $213 | $209 |
| Mervyn's | 200 | 204 | 223 |
| DSD | 228 | 221 | 219 |

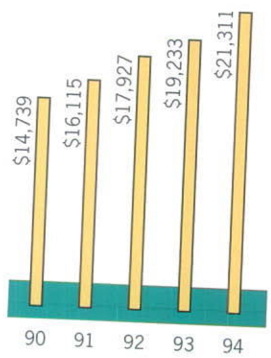
* Thirteen-month average retail square feet.

## Gross Margin Rate

The overall gross margin rate was essentially unchanged in 1994 reflecting substantially improved markdowns at each of the operating divisions, offset by a significantly lower LIFO credit of $19 million compared with $91 million last year.

- **Target's** value-pricing strategy generated a favorable impact on its 1994 gross margin rate. A significant improvement in promotional markdowns was partially offset by a somewhat lower, stabilizing markup. Despite this, its gross margin rate declined during 1994 reflecting a significantly lower LIFO credit.
- **Mervyn's** gross margin rate reflected a solid improvement in 1994 due to improved markdowns, partially offset by lower markup. During the year the competitive pricing strategy was further refined, reducing initial retail prices, while promotional markdowns improved. Also, the gross margin rate benefitted from lower clearance markdowns associated with improved inventory management.
- **DSD's** gross margin rate was essentially unchanged in 1994. A significant improvement in the clearance markdown rate was offset by a lower LIFO credit and somewhat higher promotional markdowns reflecting incremental sale events.

The 1993 overall gross margin rate declined reflecting our lowering of initial retail prices to meet the needs of value-conscious consumers, partially offset by a substantial LIFO credit. Target's gross margin rate declined in 1993 reflecting the ongoing impact of its value-pricing strategy, partially offset by improvement in the promotional markdown rate and a substantial LIFO credit. Mervyn's 1993 gross margin rate decline was the result of higher clearance markdowns associated with reducing inventories. DSD's gross margin rate improved in 1993 due to lower cost of merchandise and a LIFO credit.



Revenues

*(Millions of Dollars, Except Per Share Data)*

### Gross Margin Rate (continued)

Looking forward, with an increasing percentage of overall growth coming from Target, the gross margin rate is expected to decline over time.

The LIFO provision was as follows:

| LIFO Provision: Credit/(Expense) | 1994 | 1993 | 1992 |
|---|---|---|---|
| Target | – | $ 62 | $ (2) |
| Mervyn's | $ 8 | 7 | 4 |
| DSD | 11 | 22 | (11) |
| Total | $ 19 | $ 91 | $ (9) |
| Per Share | $.15 | $.75 | $(.07) |

The 1994 LIFO credit reflected higher inventory levels associated with new store growth as well as deflation in retail prices associated with our value-pricing strategies, although at a much slower, stabilizing rate. The 1993 LIFO credit reflected the adoption of internally-generated price indices at Mervyn's and DSD associated with their lowering of retail prices and deflation in Target's internal price index, partially offset by a substantial decline in inventory levels at Mervyn's. The 1992 LIFO expense was primarily due to inflation at Mervyn's and DSD, partially offset by an increase in inventory levels at Mervyn's and deflation in prices at Target.

The LIFO provision is calculated based on internally-generated price indices, inventory levels and markup levels.

### Operating Expense Rate

The overall operating expense rate increased in 1994 despite strong expense management at each of the operating divisions. The higher operating expense rate primarily reflected additional advertising expense at Mervyn's and DSD and charges associated with the closing and relocation of certain Target stores. Each of the operating divisions will continue to focus on expense disciplines and will benefit from our pursuit of a boundaryless organization by sharing resources and expertise between divisions.

- **Target's** operating expense rate was essentially unchanged in 1994. The benefits of sales leverage and expense efficiencies were offset by an incremental $32 million, or $.26 per share, charge for strategic store closings and relocations. Looking forward, Target will continue to aggressively reposition its stores to more strategic locations and close under-performing stores, although future annual charges are not expected to be as significant as in 1994.
- **Mervyn's** operating expense rate increased significantly in 1994 due to additional advertising expense, lower sales leverage and a charge of approximately $20 million, or $.16 per share, for the Colorado Project. The Colorado Project was the remodeling, remerchandising and grand opening of 11 Colorado stores used as the laboratory for new store design and merchandising strategies. Mervyn's continues to focus on expense control.
- **DSD's** operating expense rate was higher in 1994 due to increased advertising expenses associated with incremental promotional events somewhat offset by expense efficiencies.

The 1993 operating expense rate included a pre-tax charge of $22 million, or $.18 per share, from the Los Angeles earthquake substantially offset by solid expense management at each of the operating divisions. Target's operating expense rate improved in 1993, reflecting favorable sales leveraging and expense efficiencies within the stores, partially offset by charges related to the earthquake. Despite its continued focus on expense control, Mervyn's operating expense rate deteriorated in 1993 due to slightly higher operating expenses on a substantially lower revenue base, as well as charges associated with the earthquake. DSD's operating expense rate improved in 1993 due to distribution expense efficiencies, partially offset by increased advertising expense.

# Analysis of Operations

*(Millions of Dollars, Except Per Share Data)*

## Start-Up Expenses

Start-up expenses rose in 1994 due to growth in the number of new stores at Target and increased remodeling expenses at Mervyn's and DSD. Start-up expenses declined in 1993 compared with 1992 due to fewer new stores. A total of 72 new stores were opened in 1994 compared with 62 stores in 1993 and 68 stores in 1992. Start-up expenses are generally recognized evenly throughout the year in which the expenses are incurred.

## Interest Expense

Interest expense decreased $20 million in 1994 as a result of lower average financing requirements and a lower average portfolio interest rate. The lower rate reflected a modest increase in lower cost floating-rate debt. The interest expense increase in 1993 was due to additional debt required to finance new stores and store-remodeling programs partially offset by lower interest rates.

In 1995, interest expense is expected to increase reflecting additional borrowing requirements for the funding of new stores, remodeling programs and internal credit expansion. Although we plan to increase floating rate debt modestly in 1995, we do not anticipate material changes in our average portfolio interest rate.

## Corporate and Other Expense, Net

Corporate and other expense includes corporate headquarters expense, corporate charitable contributions to support our giving program of 5% of federally taxable income and a variety of other items.

Included in 1994 corporate and other expense was a pre-tax charge of $10 million, or $.08 per share, for the consolidation of the Corporation's credit operations. The charge primarily represents severance and benefits for approximately 500 employees. The consolidation of two credit operations into one is expected to be completed by Summer 1995. The consolidation is expected to result in cost savings and create a cross-divisional source of credit information.

## Income Tax Rate

The effective tax rates were as follows:

| | **1994** | 1993 | 1992 |
|---|---|---|---|
| Effective tax rate | **39.2%** | 38.2% | 37.3% |

The increase in the 1994 effective tax rate compared with 1993 reflected the one-time benefit in 1993 from the adoption of SFAS No. 109, "Accounting for Income Taxes." While the 1993 tax rate benefitted from this adoption, the increase over 1992 reflected the one percentage point rise in the federal statutory tax rate and the associated increase to deferred tax balances, as well as the reduced financial reporting deductibility of preferred stock dividends associated with SFAS No. 109.

## Fourth Quarter Results

Due to the seasonal nature of the retail industry, fourth quarter results represent a substantially larger share of the total year operating results due to the inclusion of the Christmas season.

The Corporation's fourth quarter earnings per share were $3.62, essentially unchanged from the same quarter last year despite a pre-tax LIFO credit of $9 million, or $.07 per share, in 1994 versus $106 million, or $.87 per share, in 1993. Net earnings were $279 million for the quarter compared with $278 million in 1993. Operating profit showed a slight increase in the quarter, with strong operating results more than offsetting the effect of a significantly lower LIFO credit.

- **Target's** modest operating profit increase reflected a 16% revenue increase partially offset by a lower gross margin rate and a higher operating expense rate. Comparable-store revenues increased 7%. Despite a modest improvement in the markdown rate, Target's gross margin rate declined, reflecting a significant year-to-year change in the LIFO provision.
- **Mervyn's** operating profit increased as total revenues rose 5% and comparable-store revenues were up 2%. The gross margin rate improved as a substantially lower markdown rate was partially offset by a significantly lower LIFO credit. The operating expense rate increased slightly.
- **DSD's** operating profit declined moderately in the fourth quarter reflecting a significant decline in the LIFO credit. Partially offsetting the gross margin rate decline were improved total and comparable-store revenues of 3% and an improved operating expense rate due to store operational efficiencies.

## Analysis of Financial Condition

*(Millions of Dollars, Except Per Share Data)*

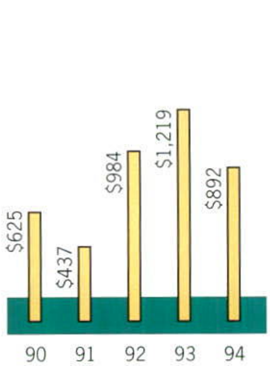
In 1994, we strengthened our financial condition through solid financial performance and improved inventory and payables control. Cash flow from earnings and depreciation grew 11% in 1994 to $965 million. Internally-generated funds continue to be an important component of our capital resources.

Accounts receivable growth in 1994 reflected the expansion of our proprietary credit card operations. In 1994 we changed payment terms on DSD's and Mervyn's internal credit cards and began testing a Target card. This grew accounts receivable balances, finance charge revenues and late fees. The growth of accounts receivable in 1995 is expected to continue, comparable to the growth experienced in 1994.

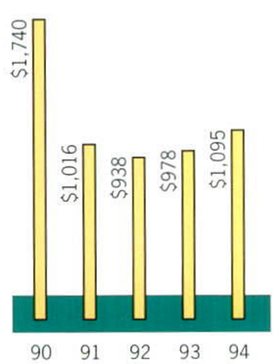
Inventories were well controlled throughout 1994. The increase in 1994 year-end inventories primarily reflected new store growth. Inventory turnover improved in 1994, the result of better merchandising execution at each operating division and a greater mix of our business shifting to Target. In conjunction with a faster inventory turn, our accounts payable leveraging also improved.

Capital expenditures for 1994 were $1,095 million, of which 77% were made by Target, 13% by Mervyn's, 9% by DSD and 1% by Corporate. During 1994, Target added 60 new stores and Mervyn's opened 12 new stores. Nearly 65% of total capital expenditures were for building new stores, 21% for store remodeling and 14% for distribution and systems. Over the past five years, Target's square footage has grown at a compound annual rate of 10% and is expected to continue into the future.

Capital expenditures for 1995 are expected to be several hundred million dollars higher than 1994 capital expenditures. We continue to invest in each of our operating companies, however, most new store capital continues to be allocated to Target due to its proven record of successful expansion and profitable growth. The 1995 store opening plans are for 60-70 new Target stores, 11 new Mervyn's stores and one new department store. Expansion into major new markets initially includes Target's six stores in Cleveland/Akron and Mervyn's seven stores in Minneapolis/St. Paul.




**Cash Flow from Operations**




**Capital Expenditures**

Our capital expenditure priorities are as follows:

- **Remodel** existing facilities to maintain and expand current market share.
- **Improve distribution and systems** to support sales growth.
- **Build stores in existing markets** to increase market share as well as leverage our existing expense structure.
- **Build stores in new markets** to enhance growth and increase overall market share.

Due to sufficient capital resources, we were able to maintain our capital expenditure priorities while allocating the majority of our spending towards new store growth. In order to retain flexibility, at January 28, 1995 only $367 million was committed for future capital expenditures.

The Corporation's financing strategy is to ensure liquidity and access to capital markets, to control the amount of floating rate debt and to maintain a balanced spectrum of maturities. Within these parameters, we seek to minimize our cost of borrowing.

A key to the Corporation's liquidity and capital market access is maintenance of strong investment grade debt ratings. Our long-term debt ratings remained at A+, A3 and A from Duff & Phelps, Moody's and Standard & Poor's, respectively. Our commercial paper debt ratings remained at D-1+, P-2 and A-1 from these same firms, respectively. Additional liquidity is provided by a total of $1 billion in committed lines of credit. Further lines may be put in place in 1995.

In 1994, in addition to internally-generated funds, the Corporation's debt increased $251 million, net of investments, to fund cash needs. During 1993 and 1992, internally-generated funds were sufficient to meet the Corporation's cash needs. In 1995, we expect debt to increase by a greater amount than 1994 as we fund our store expansion and continued growth of the accounts receivable portfolio.

# Performance Objectives

*(Millions of Dollars, Except Per Share Data)*

## Shareholder Return

Management's primary objective is to maximize shareholder value over time. This is accomplished through a combination of dividend income and share price appreciation while a prudent and flexible capital structure is maintained.

On this basis our total return to shareholders in 1994 was approximately 7%. During this same period the total return on the Standard & Poor's 500 was approximately 1%, while many large retailers experienced negative returns.

## Generating Shareholder Value

We manage a portfolio of three retail concepts, each of which is uniquely positioned for our guests. In addition, each fills a unique role in support of our primary objective. Target is our largest and fastest growing format. We believe Mervyn's holds great promise to significantly improve its performance over the next several years. Our Department Store Division produces substantial cash flow in excess of its capital reinvestment requirements.

The internal measurement we will begin to use in 1995 to evaluate performance and guide our capital investment decisions is a form of Economic Value Added® (EVA®). EVA® is after-tax operating profit less a capital charge for all investment employed. The capital charge is our after-tax cost of debt and equity capital which has been adjusted for the age of our stores, recognizing that mature stores naturally have higher returns than newly opened stores. When EVA® is positive we believe we are generating value which will flow to our shareholders. We generated positive EVA® in 1994, 1993 and 1992, and expect continued improvement in 1995. A significant portion of executive incentive compensation will be tied to achievement of targeted levels of annual EVA®.

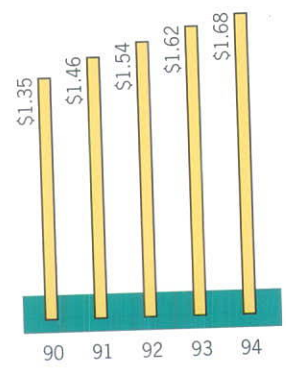
During 1994 and in previous years, we used Return on Investment (ROI) as the internal measurement tool. ROI was 8.5%, 8.3% and 8.9% for 1994, 1993 and 1992, respectively.

## Financial Objectives

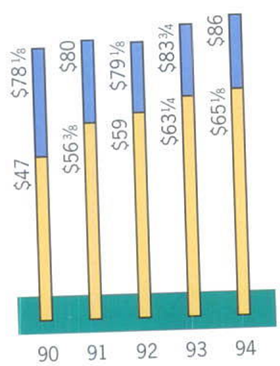
We believe that managing our business with a focus on EVA® will assist us in achieving our objective of a compound growth in earnings per share of 15% per year over time. In 1994, earnings per share were $5.52, representing a 16% increase over 1993. We intend to produce these results over time, while maintaining a year-end debt ratio in the range of 45% to 65%. We continued to operate in this range in 1994, ending the year with a debt ratio of 57%.

| Debt Ratio | 1994 | 1993 | 1992 |
|---|---|---|---|
| **Debt and equivalents** | | | |
| Current portion of long-term debt and notes payable (a) | $ 209 | $ 373 | $ 394 |
| Long-term debt (a) | 4,488 | 4,279 | 4,330 |
| Present value of operating leases | 601 | 504 | 419 |
| Total | $5,298 | $5,156 | $5,143 |
| **Capitalization** | | | |
| Debt and equivalents | $5,298 | $5,156 | $5,143 |
| Deferred income taxes and other | 582 | 536 | 450 |
| Convertible preferred stock | 360 | 368 | 374 |
| Common shareholders' investment | 3,043 | 2,737 | 2,486 |
| Total | $9,283 | $8,797 | $8,453 |
| **Year-end Debt Ratio** (b) | 57% | 59% | 61% |

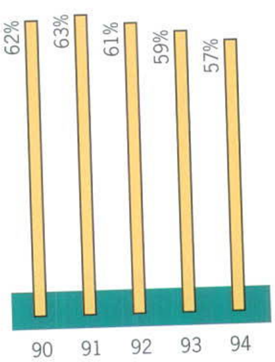
(a) Includes capital leases.
(b) The debt ratio includes the impact of off-balance sheet operating leases. When calculated on a balance sheet basis only, year-end debt ratios were 54%, 56% and 59% for 1994, 1993 and 1992, respectively.



**Dividends per Share**
(dollars)



**Market Price per Share**
(dollars)
Low High



**Debt Ratio**
(year-end percent)

® Economic Value Added and EVA are registered trademarks.

# Internal Credit

*(Millions of Dollars, Except Per Share Data)*

Internal credit strategically supports our core retail operations and, in itself, has been profitable. By expanding our credit operations we not only earned an attractive return on credit, but retail operating profit was also enhanced through incremental sales.

The credit operations have different performance characteristics than our retail operations. Because of the stability of returns, our credit operation's can support a debt ratio of 88%, which is similar to a finance company. This higher leveraging rate results in a 6% after-tax cost of capital for our credit operations as compared to 10% for our retail operations.

| Debt Ratios | 1994 | 1993 | 1992 |
|---|---|---|---|
| Credit debt ratio | **88%** | 88% | 88% |
| Retail debt ratio | **50** | 53 | 55 |
| Total Corporation Debt Ratio | **57%** | 59% | 61% |

In 1994, the operating profit of our credit operations increased to $170 million due primarily to improved finance charge revenues and late fees. The credit operations after-tax returns were greater than the credit cost of capital, resulting in a continued increase in positive EVA®. The following table illustrates the results of our credit operations:

| Credit Operating Profit | 1994 | 1993 | 1992 |
|---|---|---|---|
| **Revenues:** | | | |
| Finance charge revenues and late fees | **$ 248** | $ 200 | $ 191 |
| Merchant and deferred billing fees | **65** | 63 | 62 |
| Total | **313** | 263 | 253 |
| **Expenses:** | | | |
| Bad debt provision | **66** | 53 | 56 |
| Operating expenses | **77** | 70 | 68 |
| Total | **143** | 123 | 124 |
| Credit Operating Profit | **$ 170** | $ 140 | $ 129 |
| Average accounts receivable balance | **$1,504** | $1,329 | $1,298 |

Merchant fees represent the sales discount fees charged to our retail operations. Deferred billing fees represent charges for carrying non-revenue earning revolving balances. Both the merchant and deferred billing fees are intercompany transfer prices that are eliminated in consolidation. Operating expenses, measured on an all-inclusive basis, represent expenses for granting and operating credit.

In 1995, we will finalize the consolidation of the credit operations, which will provide efficiencies as well as lower overall operating expenses. Recognizing credit's strategic support of our core retail operations, credit revenue and operating profit continue to be recorded in each of the operating divisions results.

## Notes to Consolidated Financial Statements

*(Millions of Dollars, Except Per Share Data)*

### Business Segments

| | 1994 | 1993 | 1992 | 1991 | 1990 | 1989* |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Target | $13,600 | $11,743 | $10,393 | $ 9,041 | $ 8,175 | $ 7,519 |
| Mervyn's | 4,561 | 4,436 | 4,510 | 4,143 | 4,055 | 3,858 |
| Department Store Division | 3,150 | 3,054 | 3,024 | 2,931 | 2,509 | 1,801 |
| Other | – | – | – | – | – | 466 |
| Total | $21,311 | $19,233 | $17,927 | $16,115 | $14,739 | $13,644 |
| **Operating profit** | | | | | | |
| Target | $ 732 | $ 662 | $ 574 | $ 458 | $ 466 | $ 449 |
| Mervyn's | 206 | 179 | 284 | 284 | 366 | 358 |
| Department Store Division | 270 | 268 | 228 | 168 | 183 | 179 |
| Total | 1,208 | 1,109 | 1,086 | 910 | 1,015 | 986 |
| Interest expense, net | 426 | 446 | 437 | 398 | 325 | 267 |
| Corporate and other | 68 | 56 | 38 | 40 | 31 | 41 |
| Earnings before income taxes | $ 714 | $ 607 | $ 611 | $ 472 | $ 659 | $ 678 |
| **Operating profit as a percent of revenues** | | | | | | |
| Target | 5.4% | 5.6% | 5.5% | 5.1% | 5.7% | 6.0% |
| Mervyn's | 4.5 | 4.0 | 6.3 | 6.9 | 9.0 | 9.3 |
| Department Store Division | 8.6 | 8.8 | 7.5 | 5.7 | 7.3 | 10.0 |
| **Assets** | | | | | | |
| Target | $ 6,247 | $ 5,495 | $ 4,913 | $ 4,393 | $ 3,722 | $ 3,505 |
| Mervyn's | 2,917 | 2,750 | 3,042 | 2,686 | 2,439 | 2,260 |
| Department Store Division | 2,392 | 2,240 | 2,292 | 2,317 | 2,261 | 838 |
| Corporate and other | 141 | 293 | 90 | 89 | 102 | 81 |
| Total | $11,697 | $10,778 | $10,337 | $ 9,485 | $ 8,524 | $ 6,684 |
| **Depreciation** | | | | | | |
| Target | $ 293 | $ 263 | $ 236 | $ 208 | $ 190 | $ 170 |
| Mervyn's | 145 | 146 | 135 | 117 | 107 | 98 |
| Department Store Division | 92 | 88 | 87 | 84 | 69 | 34 |
| Corporate and other | 1 | 1 | 1 | 1 | 3 | 13 |
| Total | $ 531 | $ 498 | $ 459 | $ 410 | $ 369 | $ 315 |
| **Capital expenditures** | | | | | | |
| Target | $ 842 | $ 716 | $ 571 | $ 605 | $ 374 | $ 414 |
| Mervyn's | 146 | 180 | 294 | 303 | 210 | 133 |
| Department Store Division | 96 | 80 | 72 | 106 | 1,155 | 37 |
| Corporate and other | 11 | 2 | 1 | 2 | 1 | 19 |
| Total | $ 1,095 | $ 978 | $ 938 | $ 1,016 | $ 1,740 | $ 603 |

*Consisted of 53 weeks.
Other includes Lechmere through September 1989.

## Consolidated Results of Operations

*(Millions of Dollars, Except Per Share Data)*

| | 1994 | 1993 | 1992 |
|---|---|---|---|
| **Revenues** | **$21,311** | $19,233 | $17,927 |
| **Costs and Expenses** | | | |
| Cost of retail sales, buying and occupancy | **15,636** | 14,164 | 13,129 |
| Selling, publicity and administrative | **3,631** | 3,175 | 2,978 |
| Depreciation | **531** | 498 | 459 |
| Interest expense, net | **426** | 446 | 437 |
| Taxes other than income taxes | **373** | 343 | 313 |
| Total Costs and Expenses | **20,597** | 18,626 | 17,316 |
| Earnings Before Income Taxes | **714** | 607 | 611 |
| Provision for Income Taxes | **280** | 232 | 228 |
| **Net Earnings** | **$ 434** | $ 375 | $ 383 |
| **Primary Earnings Per Share** | **$ 5.77** | $ 4.99 | $ 5.02 |
| **Fully Diluted Earnings Per Share** | **$ 5.52** | $ 4.77 | $ 4.82 |
| **Average Common Shares Outstanding** (Millions): | | | |
| Primary | **72.0** | 71.8 | 71.6 |
| Fully Diluted | **76.3** | 76.1 | 75.9 |

See Notes to Consolidated Financial Statements contained throughout pages 21-32.

# Notes to Consolidated Financial Statements

*(Millions of Dollars, Except Per Share Data)*

## Revenues

Finance charge revenues and late fees on internal credit sales were $248 million on sales of $3.6 billion in 1994, $200 million on sales of $3.5 billion in 1993 and $191 million on sales of $3.5 billion in 1992. Lease department sales were $156 million, $165 million and $163 million in 1994, 1993 and 1992, respectively.

## Income Taxes

Reconciliation of tax rates is as follows:

| Percent of Earnings Before Income Taxes | 1994 | 1993 | 1992 |
|---|---|---|---|
| Federal statutory rate | 35.0% | 35.0% | 34.0% |
| State income taxes, net of federal tax benefit | 4.7 | 4.6 | 4.7 |
| Cumulative effect of adopting SFAS No. 109 | – | (1.4) | – |
| Targeted Jobs Tax Credits | (.7) | (.4) | (.5) |
| Dividends on preferred stock | (.6) | (.5) | (1.5) |
| Other | .8 | .9 | .6 |
| Effective tax rate | 39.2% | 38.2% | 37.3% |

The components of the provision for income taxes were:

| Income Tax Provision: Expense/(Benefit) | 1994 | 1993 | 1992 |
|---|---|---|---|
| Current: | | | |
| Federal | $262 | $166 | $176 |
| State | 59 | 37 | 41 |
| | 321 | 203 | 217 |
| Deferred: | | | |
| Federal | (34) | 23 | 8 |
| State | (7) | 6 | 3 |
| | (41) | 29 | 11 |
| Total | $280 | $232 | $228 |

The components of the net deferred tax liability were:

| Net Deferred Tax Liability | January 28, 1995 | January 29, 1994 |
|---|---|---|
| Gross deferred tax liabilities: | | |
| Property and equipment | $311 | $304 |
| Inventory | 34 | 37 |
| Other | 45 | 34 |
| | 390 | 375 |
| Gross deferred tax assets: | | |
| Self-insured benefits | 93 | 69 |
| Deferred compensation | 66 | 55 |
| Postretirement health care obligation | 44 | 41 |
| Purchase accounting | 41 | (33) |
| Other | 90 | 59 |
| | 334 | 191 |
| Total | $ 56 | $184 |

## Income Taxes (continued)

In 1993, the Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," which requires the use of the liability method of accounting for deferred income taxes. Prior to this, income taxes were calculated according to SFAS No. 96, "Accounting for Income Taxes," which was superseded by SFAS No. 109. The cumulative and 1993 effects of the adoption were not significant. Prior-year financial statements have not been restated. Also with this adoption the financial reporting deductibility of the Employee Stock Ownership Plan (ESOP) preferred stock dividends earned was reduced to shares allocated to participant accounts versus all outstanding ESOP shares.

## Advertising Costs

Advertising costs, included in selling, publicity and administrative expenses, are expensed as incurred and were $604 million, $494 million and $437 million for 1994, 1993 and 1992, respectively.

## Earnings Per Share

Primary earnings per share equal net earnings, less dividend requirements on ESOP preferred stock (net of tax benefits in both 1994 and 1993 related to unallocated shares associated with the adoption of SFAS No. 109), divided by the average number of common shares and common share equivalents outstanding during the period.

Fully diluted earnings per share are computed based on the average number of common shares and common share equivalents outstanding during the period. The computation assumes conversion of the ESOP preferred stock into common stock. Net earnings also are adjusted for the additional expense required to fund the ESOP debt service (net of tax benefits in both 1994 and 1993 related to unallocated shares associated with the adoption of SFAS No. 109), which results from the assumed replacement of the ESOP preferred stock dividends with common stock dividends.

References to earnings per share relate to fully diluted earnings per share.

## Consolidated Balance Sheets

*(Millions of Dollars)*

| | January 28, 1995 | January 29, 1994 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 147 | $ 321 |
| Accounts receivable | 1,810 | 1,536 |
| Merchandise inventories | 2,777 | 2,497 |
| Other | 225 | 157 |
| Total Current Assets | 4,959 | 4,511 |
| **Property and Equipment** | | |
| Land | 1,251 | 1,120 |
| Buildings and improvements | 5,208 | 4,753 |
| Fixtures and equipment | 2,257 | 2,162 |
| Construction-in-progress | 293 | 248 |
| Accumulated depreciation | (2,624) | (2,336) |
| Net Property and Equipment | 6,385 | 5,947 |
| **Other** | 353 | 320 |
| **Total Assets** | $11,697 | $10,778 |
| **Liabilities and Common Shareholders' Investment** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 1,961 | $ 1,654 |
| Accrued liabilities | 1,045 | 903 |
| Income taxes payable | 175 | 145 |
| Current portion of long-term debt and notes payable | 209 | 373 |
| Total Current Liabilities | 3,390 | 3,075 |
| **Long-term Debt** | 4,488 | 4,279 |
| **Deferred Income Taxes and Other** | 582 | 536 |
| **Convertible Preferred Stock** | 360 | 368 |
| **Loan to ESOP** | (166) | (217) |
| **Common Shareholders' Investment** | | |
| Common stock | 72 | 72 |
| Additional paid-in capital | 89 | 73 |
| Retained earnings | 2,882 | 2,592 |
| Total Common Shareholders' Investment | 3,043 | 2,737 |
| **Total Liabilities & Common Shareholders' Investment** | $11,697 | $10,778 |

See Notes to Consolidated Financial Statements contained throughout pages 21-32.

# Notes to Consolidated Financial Statements

*(Millions of Dollars, Except Per Share Data)*

## Cash Equivalents

Cash equivalents represent short-term investments with a maturity of three months or less at the time of purchase.

## Accounts Receivable

Accounts receivable are written off when the required payments have not been received for six consecutive months. The allowance for doubtful accounts was $46 million and $35 million at year-end 1994 and 1993, respectively.

## Inventories

Inventories and the related cost of sales are accounted for by the retail inventory accounting method using the last-in, first-out (LIFO) basis and are stated at the lower of LIFO cost or market. Under this method, the cost of retail sales, as reported in the Consolidated Results of Operations, represents current cost, thereby reflecting the effect of changing prices. The cumulative LIFO provision was $61 million and $80 million at year-end 1994 and 1993, respectively.

In 1993, Mervyn's and DSD adopted internally-generated price indices utilized in the LIFO calculation to determine retail price changes. Target had previously adopted an internally-generated price index.These internal indices capture the inventory valuation impact of lower retail prices resulting from value-pricing strategies. Previously, Mervyn's and DSD used the Bureau of Labor Statistics' Department Store Inventory Price Index to estimate retail price changes. This change generated a pre-tax LIFO credit of $77 million, or $.63 per share in 1993, which represented a major portion of the total year credit. The cumulative effect of this change and the impact for any year prior to 1993 was not determinable.

## Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives. Buildings and improvements are depreciated over eight to 55 years. Furniture and fixtures are depreciated over three to eight years. Accelerated depreciation methods generally are used for income tax purposes.

## Accounts Payable

Outstanding drafts included in accounts payable were $352 million and $239 million at year-end 1994 and 1993, respectively.

## Leases

Assets held under capital leases are included in property and equipment and are charged to depreciation and interest over the life of the lease. Operating leases are not capitalized and lease rentals are expensed. Rent expense on buildings, classified in buying and occupancy, includes percentage rents which are based on a percentage of retail sales over stated levels. Total rent expense was $123 million, $100 million and $94 million in 1994, 1993 and 1992, respectively.

Most of the long-term leases include options to renew, with terms varying from five to 30 years. Certain leases also include options to purchase the property. Future minimum lease payments required under noncancelable lease agreements existing at the end of 1994 were:

| Future Minimum Lease Payments | Operating Leases | Capital Leases |
|---|---|---|
| 1995 | $ 120 | $ 19 |
| 1996 | 114 | 19 |
| 1997 | 95 | 18 |
| 1998 | 87 | 18 |
| 1999 | 78 | 17 |
| After 1999 | 503 | 169 |
| Total future minimum lease payments | 997 | 260 |
| Less: Interest* | (396) | (137) |
| Executory costs | | (4) |
| Present value of minimum lease payments | $ 601 | $ 119** |

* Calculated using the average interest rate in the year of inception for each lease (weighted average interest rate - 9.7%).

** Includes current portion of $5 million.

## Commitments and Contingencies

Commitments for the purchase of real estate, construction of new facilities, remodeling of existing facilities and other equipment purchases over the next year were approximately $367 million at January 28, 1995.

The Corporation is exposed to claims and litigation arising out of the ordinary course of business. Management, after consulting with legal counsel, believes that the presently identified claims and litigation will not have a material adverse effect on the Corporation's results of operations or its financial condition taken as a whole.

## Consolidated Statements of Cash Flows

*(Millions of Dollars)*

| | 1994 | 1993 | 1992 |
|---|---|---|---|
| **Operating Activities** | | | |
| Net earnings | $ 434 | $ 375 | $ 383 |
| Reconciliation to cash flow: | | | |
| Depreciation | 531 | 498 | 459 |
| Deferred tax provision: (benefit)/expense | (41) | 29 | 11 |
| Other noncash items affecting earnings | 19 | 60 | 48 |
| Changes in operating accounts providing/(requiring) cash: | | | |
| Accounts receivable | (274) | (22) | (84) |
| Merchandise inventories | (280) | 121 | (237) |
| Accounts payable | 307 | 58 | 272 |
| Accrued liabilities | 147 | 63 | 142 |
| Income taxes payable | 30 | 20 | 27 |
| Other | 19 | 17 | (37) |
| Cash Flow Provided by Operations | 892 | 1,219 | 984 |
| **Investing Activities** | | | |
| Expenditures for property and equipment | (1,095) | (969) | (918) |
| Proceeds from disposals of property and equipment | 89 | 79 | 10 |
| Cash Flow Required for Investing Activities | (1,006) | (890) | (908) |
| Net Financing (Requirements)/Sources | (114) | 329 | 76 |
| **Financing Activities** | | | |
| Decrease in notes payable | (200) | (23) | (242) |
| Additions to long-term debt | 447 | 528 | 550 |
| Reductions of long-term debt | (199) | (581) | (290) |
| Principal payments received on loan to ESOP | 58 | 61 | 58 |
| Dividends paid | (144) | (138) | (133) |
| Other | (22) | 28 | 2 |
| Cash Flow Used by Financing Activities | (60) | (125) | (55) |
| Net (Decrease)/Increase in Cash and Cash Equivalents | (174) | 204 | 21 |
| Cash and Cash Equivalents at Beginning of Year | 321 | 117 | 96 |
| **Cash and Cash Equivalents at End of Year** | $ 147 | $ 321 | $ 117 |

Amounts in these statements are presented on a cash basis and therefore may differ from those shown in other sections of this annual report. Cash paid for income taxes was $292 million, $183 million and $189 million for 1994, 1993 and 1992, respectively. Cash paid for interest (including interest capitalized) was $431 million, $441 million and $438 million for 1994, 1993 and 1992, respectively.

See Notes to Consolidated Financial Statements contained throughout pages 21-32.

# Notes to Consolidated Financial Statements

*(Millions of Dollars, Except Per Share Data)*

## Lines of Credit

At year-end, two revolving credit agreements totaling $1 billion were available from various lending institutions. There were no balances outstanding at January 28, 1995 or January 29, 1994. A fee is paid for the availability under these agreements and the Corporation may borrow at various specified rates. Fees paid under these agreements were $1 million in 1994 and $2 million each in 1993 and 1992.

## Long-term Debt

At January 28, 1995, $447 million of notes payable were outstanding, all of which was classified as long-term debt as it was supported by the Corporation's revolving credit agreement, which expires in 1999. Beginning in 1994, notes payable are classified as long-term, provided the term of the related credit agreement exceeds one year and to the extent any unused commitments thereunder equal or exceed the amount of notes payable outstanding. The average amount of notes payable outstanding during 1994 was $418 million at a weighted average interest rate of 4.9%.

The average interest rate on our total debt portfolio, excluding capital leases, was 8.8% in 1994.

At year end the debt portfolio was as follows:

| Long-term Debt | January 28, 1995 | January 29, 1994 |
|---|---|---|
| Notes payable | **$ 447** | $ 200 |
| 4.65% to 9.95% Notes and other, due 1994-1999 | **544** | 711 |
| 6.625% to 10% Notes and other, due 2000-2004 | **1,037** | 1,037 |
| 9.25% to 9.625% Debentures and other, due 2005-2009 | **201** | 201 |
| 8.6% to 10.03% Debentures and other, due 2010-2014 | **549** | 549 |
| 9.25% to 9.875% Debentures and other, due 2015-2019 | **514** | 541 |
| 7.65% to 9.99% Debentures, due 2020-2023 | **1,286** | 1,286 |
| Total unsecured notes and debentures, and other | **4,578** | 4,525 |
| Capital lease obligations | **119** | 127 |
| Less: current portion | **(209)** | (373) |
| Long-term debt | **$4,488** | $4,279 |

Required principal payments on long-term debt and notes payable over the next five years, excluding capital lease obligations, are $204 million in 1995, $68 million in 1996, $100 million in 1997, $170 million in 1998 and $449 million in 1999.

## Long-term Debt (continued)

In 1994, the Corporation entered into interest rate swap agreements which effectively exchange fixed interest rates for variable interest rates on $175 million of long-term debt without the exchange of underlying principal. The interest rate swaps were entered into to manage the portfolio mix of fixed and floating rate debt, within established parameters. The difference to be paid or received varies as short-term interest rates change and is accrued and recognized as an adjustment to interest expense. The initial terms of the agreements range from one to three years. Market risks arise from the movements in interest rates. The Corporation's credit risk is limited to the fair market value of the interest rate swaps. During 1994, the Corporation terminated fixed interest rate swaps at a premium of $22 million. The premium is being amortized into interest expense through 1999. At January 28, 1995, the unamortized premium was $19 million.

Subsequent to year-end, the Corporation issued $150 million of long-term debt at 7.5%, maturing in 1999. The proceeds from the issuance were used for general corporate purposes.

## Fair Value of Financial Instruments

The carrying amounts and estimated fair values of financial instruments were as follows:

| | **January 28, 1995** | | January 29, 1994 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | Carrying Value | Fair Value |
| Financial instruments recorded as long-term liabilities: | | | | |
| Unsecured notes, and debentures, and other debt | **$4,578** | **$4,701** | $4,525 | $5,167 |
| Off-balance sheet financial instruments: | | | | |
| Interest rate swaps | **–** | **(7)** | – | (31) |

The fair value of long-term debt and interest rate swaps was estimated using discounted cash flow analysis, based on the Corporation's current incremental interest rates for similar types of financial instruments. The carrying value of cash equivalents approximates fair value due to its short maturity.

## Consolidated Statements of Common Shareholders' Investment

*(Millions of Dollars)*

| | Common Stock | Additional Paid-in Capital | Retained Earnings | Total |
|---|---|---|---|---|
| **February 1, 1992** | $71 | $51 | $2,109 | $2,231 |
| Consolidated net earnings | — | — | 383 | 383 |
| Dividends declared | — | — | (135) | (135) |
| Conversion of preferred stock | — | 3 | — | 3 |
| Stock option activity | — | 4 | — | 4 |
| **January 30, 1993** | 71 | 58 | 2,357 | 2,486 |
| Consolidated net earnings | — | — | 375 | 375 |
| Dividends declared | — | — | (140) | (140) |
| Tax benefit on unallocated preferred stock dividends | — | 6 | — | 6 |
| Conversion of preferred stock | — | 6 | — | 6 |
| Stock option activity | 1 | 3 | — | 4 |
| **January 29, 1994** | 72 | 73 | 2,592 | 2,737 |
| Consolidated net earnings | — | — | 434 | 434 |
| Dividends declared | — | — | (144) | (144) |
| Tax benefit on unallocated preferred stock dividends | — | 6 | — | 6 |
| Conversion of preferred stock | — | 7 | — | 7 |
| Stock option activity | — | 3 | — | 3 |
| **January 28, 1995** | **$72** | **$89** | **$2,882** | **$3,043** |

### Common Stock

Authorized 500,000,000 shares, $1.00 par value; 71,690,360 shares issued and outstanding at January 28, 1995; 71,525,082 shares issued and outstanding at January 29, 1994.

### Preferred Stock

Authorized 5,000,000 shares; Series B ESOP Convertible Preferred Stock $.01 par value, 416,675 shares issued and outstanding at January 28, 1995; 425,979 shares issued and outstanding at January 29, 1994. Each share converts into ten shares of the Corporation's common stock, has voting rights equal to the equivalent number of common shares, and is entitled to cumulative annual dividends of $56.20. Under certain circumstances, the shares may be redeemed at the election of the Corporation or the ESOP.

### Junior Preferred Stock Rights

The Corporation declared a distribution of shares of preferred share purchase rights in 1986. Terms of the plan provide for a distribution of one preferred share purchase right for each outstanding share of Dayton Hudson common stock. Each right will entitle shareholders to buy one-hundredth of a share of a new series of junior participating preferred stock at an exercise price of $150, subject to adjustment. The rights will be exercisable only if a person or group acquires ownership of 20% or more of Dayton Hudson common stock or announces a tender offer to acquire 30% or more of the common stock.

See Notes to Consolidated Financial Statements contained throughout pages 21-32.

*(Millions of Dollars, Except Per Share Data)*

### Stock Option Plan

The Corporation has a stock option plan for key employees. Grants have included stock options, performance shares and beginning in 1993, restricted stock awards. Options have included Incentive Stock Options, Non-Qualified Stock Options or a combination of the two. Twelve months after the grant date 25% of a majority of options granted become exercisable with another 25% after each succeeding 12 months. These options are cumulatively exercisable and expire no later than 10 years after the date of the grant. Stock options are awarded at fair market value on the grant date. When exercised, proceeds are credited to common shareholders' investment and no expense is incurred.

Beginning in 1993, performance shares earned and restricted stock awarded generally vest at the end of a four-year period, at which time common stock is issued and placed in escrow, subject to further restrictions. Prior to 1993, performance shares earned were paid in cash and common stock. Compensation expense on performance shares was recorded based on the current market price of the Corporation's common stock and the extent to which certain earnings and return on investment goals were met relative to an established group of retail competitors. Compensation expense on restricted stock was recorded based on the current market price of the Corporation's common stock. Performance share and restricted stock award expense was $2 million in 1994, less than $1 million in 1993 and $3 million in 1992.

The number of shares of unissued common stock reserved for future grants under the plan was 2,961,931 at the end of 1994 and 3,106,901 at the end of 1993.

**Options, Performance Shares and Restricted Stock Awards Outstanding**

| | Options | | | | |
|---|---|---|---|---|---|
| | Number of Shares | Price Per Share | Shares Exer-cisable | Perform-ance Shares | Restricted Stock Awards |
| Feb. 1, 1992 | 1,071,166 | $17.44 -$75.50 | 561,774 | 190,215 | – |
| Granted | 198,027 | 59.81 - 67.63 | | | |
| Canceled | (14,666) | 17.44 - 75.50 | | | |
| Exercised | (100,109) | 17.44 - 53.19 | | | |
| Jan. 30, 1993 | 1,154,418 | 30.25 - 75.50 | 590,807 | 207,758 | – |
| Granted | 205,268 | 65.25 - 83.25 | | | |
| Canceled | (16,856) | 53.00 - 78.00 | | | |
| Exercised | (70,009) | 30.25 - 75.50 | | | |
| Jan. 29, 1994 | 1,272,821 | 30.25 - 83.25 | 654,624 | 247,689 | 30,494 |
| Granted | 200,886 | 75.31 - 79.63 | | | |
| Canceled | (69,538) | 59.81 - 78.00 | | | |
| Exercised | (78,169) | 30.25 - 78.00 | | | |
| **Jan. 28, 1995** | **1,326,000** | **$30.25 -$83.25** | **837,723** | **247,956** | **43,562** |

### Pension Plans

The Corporation has three defined benefit pension plans which cover all employees who meet certain requirements of age, length of service and hours worked per year. The benefits provided are based upon years of service and the employee's compensation.

Contributions to the pension plans, which are made solely by the Corporation, are determined by an outside actuarial firm. To compute net pension cost, the actuarial firm estimates the total benefits which will ultimately be paid to eligible employees and then allocates these costs to service periods.

The period over which unrecognized pension costs and credits are amortized, including prior service costs and actuarial gains and losses, is based on the remaining service period for those employees expected to receive pension benefits.

| **Net Pension Expense** | **1994** | 1993 | 1992 |
|---|---|---|---|
| Service cost-benefits earned during the period | **$ 25** | $ 22 | $ 19 |
| Interest cost on projected benefit obligation | **33** | 32 | 30 |
| Return on assets -current | **(10)** | (50) | (30) |
| -deferred | **(26)** | 14 | (1) |
| Total | **$ 22** | $ 18 | $ 18 |

| **Actuarial Assumptions** | **1994** | 1993 | 1992 |
|---|---|---|---|
| Discount rate | **8½%** | 7¼% | 8½% |
| Expected long-term rate of return on plans' assets | **9** | 9½ | 9½ |
| Average assumed rate of compensation increase | **5½** | 5¼ | 7 |

During 1994 and 1993, the Corporation changed certain actuarial assumptions used in the calculation of its projected benefit obligation for the defined benefit plans. The net effect of these changes on future years' expense is not expected to be significant.

| **Funded Status** | December 31, **1994** | 1993 |
|---|---|---|
| Actuarial present value of: | | |
| Vested benefit obligation | **$342** | $385 |
| Accumulated benefit obligation | **364** | 411 |
| Projected benefit obligation | **425** | 466 |
| Fair market value of plans' assets* | **455** | 454 |
| Plans' assets in excess of/(less than) projected benefit obligation | **30** | (12) |
| Unrecognized prior service cost | **3** | 4 |
| Unrecognized net actuarial loss | **8** | 42 |
| Prepaid pension asset | **$ 41** | $ 34 |

* Plans' assets consist primarily of equity and fixed income securities.

# Notes to Consolidated Financial Statements

*(Millions of Dollars, Except Per Share Data)*

## Supplemental Retirement and Savings Plan

The Corporation sponsors a defined contribution employee benefit plan. Employees who meet certain eligibility requirements of age, length of service and hours worked per year, can participate in the plan by investing up to 15% of their compensation.

The Corporation's match equals 100% of each employee's contribution up to 5% of each participant's total compensation, within ERISA limits. The Corporation's contribution to the plan is invested in the ESOP.

In 1989, the Corporation lent $379 million to the ESOP at a 9% interest rate with an estimated maturity of 15 years. Proceeds from the loan were used by the ESOP to purchase 438,353 shares of Series B ESOP Convertible Preferred Stock of the Corporation. The original issue value of the ESOP preferred stock of $864.60 per share is guaranteed by the Corporation.

The Corporation's contributions to the ESOP, plus dividends paid on all preferred stock held by the ESOP, are used to repay the loan principal and interest. Cash contributed to the ESOP was $50 million in 1994 and $61 million each in 1993 and 1992. Dividends earned on shares held by the ESOP were $24 million each in 1994, 1993 and 1992. The dividends on allocated preferred stock are paid in additional shares of preferred stock. Benefits expense, calculated based on the shares allocated method, was $33 million each in 1994 and 1993 and $28 million in 1992.

Upon a participant's termination, the Corporation is required to purchase the preferred stock in exchange for common stock at the current market price. At January 28, 1995, 226,890 shares of the ESOP preferred stock were allocated to participants and had a fair value of $202 million.

## Postretirement Health Care Benefits

Certain health care benefits are provided for retired employees. Employees eligible for retirement become eligible for these benefits if they meet minimum age and service requirements and agree to contribute a portion of the cost. The Corporation has the right to modify or terminate these benefits.

| Accumulated Postretirement Benefit Obligation | December 31, 1994 | 1993 |
|---|---|---|
| Retirees | $ 47 | $51 |
| Fully eligible active plan participants | 22 | 26 |
| Other active plan participants | 10 | 14 |
| Prior service cost | (5) | (7) |
| Unrecognized gain | 29 | 14 |
| Total | $103 | $98 |

## Postretirement Health Care Benefits (continued)

| Net Periodic Cost | 1994 | 1993 | 1992 |
|---|---|---|---|
| Service cost - benefits earned during the period | $2 | $1 | $1 |
| Interest cost on accumulated benefit | 6 | 8 | 8 |
| Total | $8 | $9 | $9 |

An increase in the cost of covered health care benefits of 8½% is assumed for fiscal 1995. The rate is assumed to decrease incrementally to 6% in the year 2000 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. For example, a 1% increase in the health care trend rate would increase the accumulated postretirement benefit obligation by $5 million at year-end 1994 and the net periodic cost by $1 million for the year. The discount rate used in determining the accumulated postretirement benefit obligation was 8½% for 1994, 7¼% for 1993 and 8½% for 1992.

During 1994 and 1993, the Corporation changed certain actuarial assumptions used in the calculation of its projected benefit obligation for the postretirement health care benefits. The net effect of these changes on future years' expense is not expected to be significant.

## Summary of Other Accounting Policies

**Consolidation** The financial statements include the accounts of the Corporation after elimination of material intercompany balances and transactions. All subsidiaries are wholly owned.

**Fiscal Year** Our fiscal year ends on the Saturday nearest January 31.

| Fiscal Year | Ended | Weeks |
|---|---|---|
| 1994 | January 28, 1995 | 52 |
| 1993 | January 29, 1994 | 52 |
| 1992 | January 30, 1993 | 52 |

Unless otherwise stated, references to years in this report relate to fiscal years rather than to calendar years.

**Reclassifications** Certain prior year amounts have been reclassified to conform to the current-year presentation.

# Notes to Consolidated Financial Statements

*(Millions of Dollars, Except Per Share Data)*

## Credit Card Subsidiary

Retailers National Bank (the Bank), a national credit card bank and a wholly owned subsidiary, was chartered on January 7, 1994. The Bank, at inception, acquired the outstanding accounts receivable of DSD and Target. During 1994, the Bank acquired the outstanding accounts receivable of Mervyn's. The Bank issues and services the operating divisions' proprietary credit cards. In September 1994, the Bank participated an 80% undivided interest of its accounts receivable to another wholly owned subsidiary of the Corporation (the Affiliate). The accounts receivable and all related income and expenses of the Bank and the Affiliate are included in each operating division's results.

Net earnings for the Bank on a stand-alone basis, before intercompany eliminations, were $69 million in 1994 and insignificant in 1993. The following are condensed balance sheets for the Bank.

| Condensed Balance Sheets | January 28, 1995 | January 29, 1994 |
|---|---|---|
| Assets: | | |
| Accounts receivable, net | $346 | $699 |
| Other assets | 43 | 16 |
| Total | $389 | $715 |
| Liabilities and investment: | | |
| Liabilities, principally note payable and deposit due to the Corporation, respectively | $207 | $634 |
| Investment of the Corporation | 182 | 81 |
| Total | $389 | $715 |

## Quarterly Results (Unaudited)

The same accounting policies are followed in preparing quarterly financial data as are followed in preparing annual data. Costs directly associated with revenues, such as cost of goods sold and percentage rent on leased stores, are allocated based on revenues. Certain other costs not directly associated with revenues, such as benefit plan expenses and real estate taxes, are allocated evenly throughout the year.

The table below summarizes results by quarter for 1994 and 1993:

| | First Quarter | | Second Quarter | | Third Quarter | | Fourth Quarter | | Total Year | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1994 | 1993 | 1994 | 1993 | 1994 | 1993 | 1994 | 1993 | 1994 | 1993 |
| Revenues | $4,465 | $4,040 | $4,802 | $4,287 | $5,046 | $4,625 | $6,998 | $6,281 | $21,311 | $19,233 |
| Gross Profit (a) | $1,212 | $1,067 | $1,283 | $1,107 | $1,351 | $1,208 | $1,829 | $1,687 | $ 5,675 | $ 5,069 |
| Net Earnings | $ 39 | $ 30 | $ 49 | $ 24 | $ 67 | $ 43 | $ 279 | $ 278 | $ 434 | $ 375 |
| Earnings Per Share (b) | $ .47 | $ .35 | $ .61 | $ .28 | $ .83 | $ .53 | $ 3.62 | $ 3.62 | $ 5.52 | $ 4.77 |
| Fully Diluted Average Common Shares Outstanding (Millions) | 76.3 | 76.1 | 76.3 | 76.0 | 76.3 | 76.1 | 76.2 | 76.1 | 76.3 | 76.1 |
| Dividends Declared Per Share | $ .42 | $ .40 | $ .42 | $ .40 | $ .42 | $ .40 | $ .42 | $ .42 | $ 1.68 | $ 1.62 |
| Common Stock Price (c) | | | | | | | | | | |
| High | $ 79 | $ 83¾ | $ 83⅝ | $ 75 | $ 86 | $ 71⅞ | $ 84 | $ 74¾ | $ 86 | $ 83¾ |
| Low | 65⅛ | 69⅛ | 76¼ | 63¼ | 73¾ | 65 | 67⅞ | 65⅞ | 65⅛ | 63¼ |

(a) Gross profit is revenues less cost of retail sales, buying and occupancy. The LIFO provision, included in gross profit, is adjusted each quarter for estimated changes in year-end retail inflation rates, inventory levels and markup levels. A final adjustment is recorded in the fourth quarter for the difference between the prior quarters' estimates and the actual total year LIFO provision.

(b) Earnings per share are computed independently for each of the quarters presented. The sum of the quarters may not equal the total-year amount due to the impact of changes in average quarterly shares outstanding.

(c) Dayton Hudson Corporation's common stock is listed on the New York Stock Exchange and Pacific Stock Exchange. At March 24, 1995 there were 11,287 shareholders of record and the common stock price was $71.25 per share.

## Report of Independent Auditors

Board of Directors and Shareholders
Dayton Hudson Corporation

We have audited the accompanying consolidated balance sheets of Dayton Hudson Corporation and subsidiaries as of January 28, 1995 and January 29, 1994, and the related consolidated results of operations, cash flows and common shareholders' investment for each of the three years in the period ended January 28, 1995. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Dayton Hudson Corporation and subsidiaries at January 28, 1995 and January 29, 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 28, 1995, in conformity with generally accepted accounting principles.

As discussed in the notes to the consolidated financial statements, in 1993 the Corporation changed its method of estimating retail price indices used in its LIFO inventory valuation for Mervyn's and the Department Store Division.

Ernst & Young LLP

Minneapolis, Minnesota
March 17, 1995

## Report of Management

Management is responsible for the consistency, integrity and presentation of the information in the Annual Report. The financial statements and other information presented in this Annual Report have been prepared in accordance with generally accepted accounting principles and include necessary judgments and estimates by management.

To fulfill our responsibility, we maintain comprehensive systems of internal controls designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with established procedures. The concept of reasonable assurance is based upon a recognition that the cost of the controls should not exceed the benefit derived. We believe our systems of internal control provide this reasonable assurance.

The Board of Directors exercises its oversight role with respect to the Corporation's systems of internal financial control primarily through its Audit Committee, which is composed of five independent directors. The Committee oversees the Corporation's systems of internal controls, accounting practices, financial reporting and audits to ensure their quality, integrity and objectivity are sufficient to protect shareholders' investments. Their report appears on this page.

In addition, our financial statements have been audited by Ernst & Young LLP, independent auditors, whose report also appears on this page. As a part of its audit, Ernst & Young LLP develops and maintains an understanding of the Corporation's internal accounting controls and conducts such tests and employs such procedures as it considers necessary to render its opinion on the financial statements. Their report expresses an opinion as to the fair presentation, in all material respects, of the financial statements and is based on an independent audit made in accordance with generally accepted auditing standards.

Robert J. Ulrich
Chairman of the Board and
Chief Executive Officer

Douglas A. Scovanner
Senior Vice President and
Chief Financial Officer

JoAnn Bogdan
Controller and
Chief Accounting Officer

March 8, 1995

## Report of Audit Committee

The Audit Committee met twice during fiscal 1994 to review the overall audit scope, plans for internal and independent audits, the Corporation's internal controls, emerging accounting issues, officer and director expenses, audit fees and retirement plans. The Committee also met individually with the internal auditors and independent auditors, without management present, to discuss the results of their audits. The Committee encourages the internal and independent auditors to communicate closely with the Committee.

Audit Committee results were reported to the full Board of Directors, and the Corporation's annual financial statements were reviewed and approved by the Board before issuance. The Audit Committee also recommended to the Board of Directors that the independent auditors be reappointed for fiscal 1995, subject to the approval of the shareholders at the annual meeting.

March 8, 1995

# Summary Financial and Operating Data

*(Millions of Dollars, Except Per Share Data)*

| | 1994 | 1993 | 1992 | 1991 | 1990 | 1989(a) | 1988 | 1987 | 1986 | 1985 | 1984(a) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Income Statement Data** | | | | | | | | | | | |
| Revenues | $ **21,311** | 19,233 | 17,927 | 16,115 | 14,739 | 13,644 | 12,204 | 10,677 | 9,259 | 8,255 | 7,519 |
| Cost of retail sales, buying and occupancy | $ **15,636** | 14,164 | 13,129 | 11,751 | 10,652 | 9,890 | 8,980 | 7,950 | 6,778 | 5,977 | 5,462 |
| Selling, publicity and administrative | $ **3,631** | 3,175 | 2,978 | 2,801 | 2,478 | 2,264 | 2,038 | 1,769 | 1,538 | 1,366 | 1,234 |
| Depreciation | $ **531** | 498 | 459 | 410 | 369 | 315 | 290 | 231 | 183 | 158 | 145 |
| Interest expense, net | $ **426** | 446 | 437 | 398 | 325 | 267 | 218 | 152 | 118 | 100 | 98 |
| Earnings from continuing operations before income taxes | $ **714** | 607 | 611 | 472 | 659 | 678 | 472 | 399 | 494 | 518 | 453 |
| Income taxes | $ **280** | 232 | 228 | 171 | 249 | 268 | 185 | 171 | 239 | 237 | 208 |
| Net earnings: Continuing (b) | $ **434** | 375 | 383 | 301 | 412 | 410 | 287 | 228 | 255 | 281 | 245 |
| Consolidated (c) | $ **434** | 375 | 383 | 301 | 412 | 410 | 287 | 228 | 310 | 284 | 259 |
| **Financial Position Data** | | | | | | | | | | | |
| Working capital | $ **1,569** | 1,436 | 1,450 | 1,452 | 1,236 | 912 | 978 | 922 | 1,193 | 1,130 | 973 |
| Property and equipment | $ **6,385** | 5,947 | 5,563 | 5,102 | 4,525 | 3,523 | 3,486 | 3,106 | 2,517 | 1,770 | 1,534 |
| Total assets | $ **11,697** | 10,778 | 10,337 | 9,485 | 8,524 | 6,684 | 6,523 | 6,076 | 5,282 | 4,418 | 3,800 |
| Long-term debt | $ **4,488** | 4,279 | 4,330 | 4,227 | 3,682 | 2,510 | 2,383 | 1,819 | 1,377 | 922 | 750 |
| Convertible preferred stock | $ **360** | 368 | 374 | 377 | 379 | 379 | – | – | – | – | – |
| Common shareholders' investment | $ **3,043** | 2,737 | 2,486 | 2,231 | 2,048 | 1,753 | 1,861 | 1,986 | 2,180 | 1,948 | 1,737 |
| **Per Common Share Data** | | | | | | | | | | | |
| Fully diluted net earnings per share: | | | | | | | | | | | |
| Continuing (b) | $ **5.52** | 4.77 | 4.82 | 3.72 | 5.20 | 5.35 | 3.45 | 2.41 | 2.62 | 2.89 | 2.54 |
| Consolidated (c) | $ **5.52** | 4.77 | 4.82 | 3.72 | 5.20 | 5.35 | 3.45 | 2.41 | 3.19 | 2.92 | 2.68 |
| Cash dividend declared | $ **1.68** | 1.62 | 1.54 | 1.46 | 1.35 | 1.17 | 1.04½ | .94½ | .86 | .78½ | .69½ |
| Market price – high | $ **86** | 83¾ | 79⅛ | 80 | 78⅛ | 66⅜ | 45½ | 63 | 58½ | 48¾ | 37¾ |
| Market price – low | $ **65⅛** | 63¼ | 59 | 56⅛ | 47 | 43 | 31⅝ | 21½ | 40 | 35¼ | 26⅛ |
| Market price – close | $ **69** | 65⅞ | 77¾ | 65⅛ | 65¾ | 61¼ | 42⅝ | 34⅞ | 41¼ | 45½ | 35⅞ |
| Common shareholders' investment | $ **42.45** | 38.27 | 34.83 | 31.31 | 28.82 | 24.73 | 23.97 | 23.15 | 22.38 | 20.04 | 17.90 |
| **Other Data** | | | | | | | | | | | |
| Return on beginning equity (common shareholders' investment): | | | | | | | | | | | |
| Continuing (b) | **15.2%** | 14.4 | 16.1 | 13.5 | 22.1 | 22.0 | 14.5 | 10.5 | 13.1 | 16.2 | 15.9 |
| Consolidated (c) | **15.2%** | 14.4 | 16.1 | 13.5 | 22.1 | 22.0 | 14.5 | 10.5 | 15.9 | 16.3 | 16.8 |
| Average common shares outstanding (millions) | **71.6** | 71.5 | 71.3 | 71.2 | 71.0 | 75.9 | 83.3 | 94.8 | 97.3 | 97.1 | 96.9 |
| Fully diluted average common shares outstanding (millions) | **76.3** | 76.1 | 75.9 | 75.9 | 75.7 | 76.6 | 83.3 | 94.8 | 97.3 | 97.1 | 96.9 |
| Capital expenditures | $ **1,095** | 978 | 938 | 1,016 | 1,740 | 603 | 681 | 839 | 941 | 403 | 336 |
| Number of stores: Target | **611** | 554 | 506 | 463 | 420 | 399 | 341 | 317 | 246 | 226 | 215 |
| Mervyn's | **286** | 276 | 265 | 245 | 227 | 221 | 213 | 199 | 175 | 148 | 126 |
| DSD | **63** | 63 | 63 | 62 | 61 | 37 | 37 | 37 | 37 | 37 | 36 |
| Total Stores | **960** | 893 | 834 | 770 | 708 | 657 | 591 | 553 | 458 | 411 | 377 |
| Total square footage (thousands) | **101,400** | 94,184 | 87,362 | 80,309 | 73,769 | 65,191 | 58,596 | 55,028 | 45,890 | 42,051 | 38,956 |
| Number of employees | **194,000** | 174,000 | 170,000 | 168,000 | 161,000 | 144,000 | 128,000 | 134,000 | 111,000 | 98,000 | 101,000 |

The Summary Financial and Operating Data should be read in conjunction with the Notes to Consolidated Financial Statements contained throughout pages 21-32.

(a) Consisted of 53 weeks.

(b) Includes cumulative income effect of two accounting changes, net, of $2 million ($.03 per share) in 1990. Before extraordinary item in 1986.

(c) Includes 1986 gain on sale of B. Dalton Bookseller of $85 million ($.88 per share) and extraordinary charge of $32 million ($.33 per share) related to a debt repurchase. Also for 1984–1986 includes discontinued operations of B. Dalton Bookseller.

# Dayton Hudson Corporation
# 1994 Facts

- America's fourth largest general merchandise retailer with revenues of $21.3 billion.
- Serves guests through 960 stores in 33 states.
- Among America's 20 largest private employers, with a workforce totaling 194,000.
- Largest commitment to community giving of any general merchandise retailer with 1994 giving of approximately $24 million. Only major retailer to invest five percent of its federally taxable income in social action and arts programs in store communities.

## Target

Target is an upscale discounter, providing quality merchandise at low prices in guest-friendly stores. It has 611 stores coast-to-coast.

| *(Millions of Dollars)* | 1994 | 1993 | 1992 |
|---|---|---|---|
| Revenues | **$13,600** | $11,743 | $10,393 |
| Operating Profit | **$ 732** | $ 662 | $ 574 |
| Stores | **611** | 554 | 506 |
| Retail Square Feet* | **64,446** | 58,087 | 52,211 |

## Mervyn's

Mervyn's is a middle-market promotional department store focused on apparel and soft goods. The division operates 286 stores in 15 states in the Northwest, West, Southwest, Southeast and Michigan.

| *(Millions of Dollars)* | 1994 | 1993 | 1992 |
|---|---|---|---|
| Revenues | **$ 4,561** | $ 4,436 | $ 4,510 |
| Operating Profit | **$ 206** | $ 179 | $ 284 |
| Stores | **286** | 276 | 265 |
| Retail Square Feet* | **23,130** | 22,273 | 21,305 |

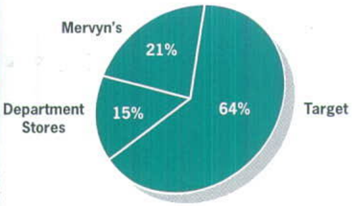
## Department Stores

The Department Store Division emphasizes fashion leadership, quality merchandise and superior guest service. The Division operates 63 full-service, full-line department stores through three store groups in nine states primarily in the Midwest: 19 Dayton's stores, 21 Hudson's stores and 23 Marshall Field's stores.

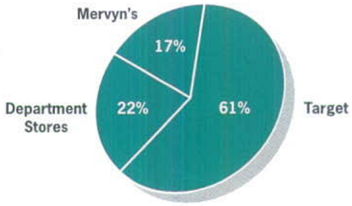
| *(Millions of Dollars)* | 1994 | 1993 | 1992 |
|---|---|---|---|
| Revenues | **$ 3,150** | $ 3,054 | $ 3,024 |
| Operating Profit | **$ 270** | $ 268 | $ 228 |
| Stores | **63** | 63 | 63 |
| Retail Square Feet* | **13,824** | 13,824 | 13,846 |

* *In thousands, reflects total square feet less office, warehouse and vacant space.*

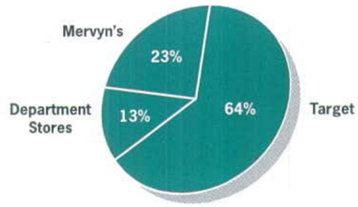
| | |
|---|---|
| **Total Stores:** | **960** |
| **Total Retail Square Feet:** (in thousands) | **101,400** |




**Revenues**
(percent of total)

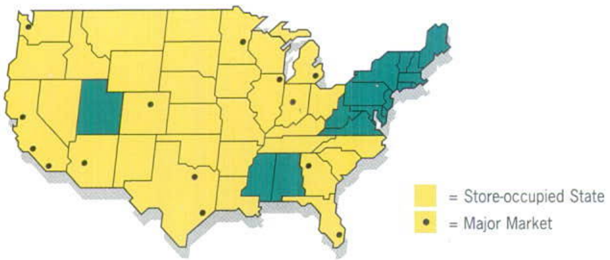



**Operating Profit**
(percent of total)




**Retail Square Feet**
(percent of total)

## Target Locations



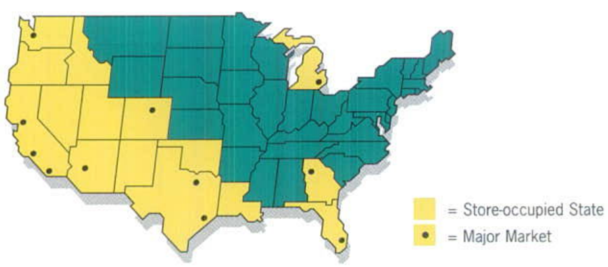

| | Retail Sq. Ft. in thousands | No. of stores |
|---|---|---|
| Arizona | 2,340 | 22 |
| Arkansas | 186 | 2 |
| California | 13,180 | 123 |
| Colorado | 2,014 | 19 |
| Florida | 5,381 | 49 |
| Georgia | 1,500 | 15 |
| Idaho | 309 | 3 |
| Illinois | 4,327 | 38 |
| Indiana | 2,694 | 30 |
| Iowa | 1,592 | 17 |
| Kansas | 572 | 6 |
| Kentucky | 563 | 6 |
| Louisiana | 202 | 2 |
| Michigan | 4,307 | 41 |
| Minnesota | 4,764 | 41 |
| Missouri | 835 | 8 |
| Montana | 299 | 3 |
| Nebraska | 780 | 8 |
| Nevada | 842 | 8 |
| New Mexico | 403 | 4 |
| North Carolina | 595 | 6 |
| North Dakota | 416 | 4 |
| Ohio | 809 | 7 |
| Oklahoma | 782 | 8 |
| Oregon | 944 | 9 |
| South Carolina | 297 | 3 |
| South Dakota | 391 | 4 |
| Tennessee | 1,413 | 14 |
| Texas | 7,372 | 69 |
| Washington | 1,927 | 19 |
| Wisconsin | 2,228 | 21 |
| Wyoming | 182 | 2 |
| **Total** | **64,446** | **611** |

### Major Markets

| | |
|---|---|
| Greater Los Angeles | 65 |
| Minneapolis/St. Paul | 29 |
| Chicago | 24 |
| Detroit | 21 |
| Dallas/Ft. Worth | 20 |
| Houston | 19 |
| San Francisco Bay Area | 17 |
| Phoenix | 15 |
| Atlanta | 14 |
| Miami/Ft. Lauderdale | 14 |
| Denver | 13 |
| San Diego | 12 |
| Seattle/Tacoma | 10 |
| Indianapolis | 10 |

**Employees (at year-end):** 123,000

## Mervyn's Locations



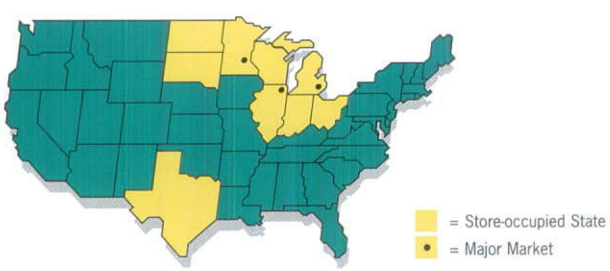

| | Retail Sq. Ft. in thousands | No. of stores |
|---|---|---|
| Arizona | 1,230 | 15 |
| California | 9,920 | 127 |
| Colorado | 927 | 12 |
| Florida | 1,732 | 19 |
| Georgia | 563 | 7 |
| Idaho | 83 | 1 |
| Louisiana | 538 | 7 |
| Michigan | 1,175 | 15 |
| Nevada | 412 | 6 |
| New Mexico | 180 | 2 |
| Oklahoma | 270 | 3 |
| Oregon | 555 | 7 |
| Texas | 3,416 | 42 |
| Utah | 762 | 8 |
| Washington | 1,367 | 15 |
| **Total** | **23,130** | **286** |

### Major Markets

| | |
|---|---|
| Greater Los Angeles | 50 |
| San Francisco Bay Area | 22 |
| Miami/Ft. Lauderdale | 14 |
| Dallas/Ft. Worth | 13 |
| San Diego | 12 |
| Phoenix | 11 |
| Houston | 10 |
| Detroit | 9 |
| Seattle/Tacoma | 8 |
| Atlanta | 7 |
| Denver | 7 |

**Employees (at year-end):** 35,000

## Department Store Locations




| | Retail Sq. Ft. in thousands | No. of stores |
|---|---|---|
| **Dayton's** | | |
| Minnesota | 2,748 | 12 |
| North Dakota | 299 | 3 |
| South Dakota | 102 | 1 |
| Wisconsin | 349 | 3 |
| **Hudson's** | | |
| Indiana | 246 | 2 |
| Michigan | 4,315 | 18 |
| Ohio | 187 | 1 |
| **Marshall Field's** | | |
| Illinois | 3,944 | 15 |
| Ohio | 201 | 1 |
| Texas | 721 | 4 |
| Wisconsin | 712 | 3 |
| **Total** | **13,824** | **63** |

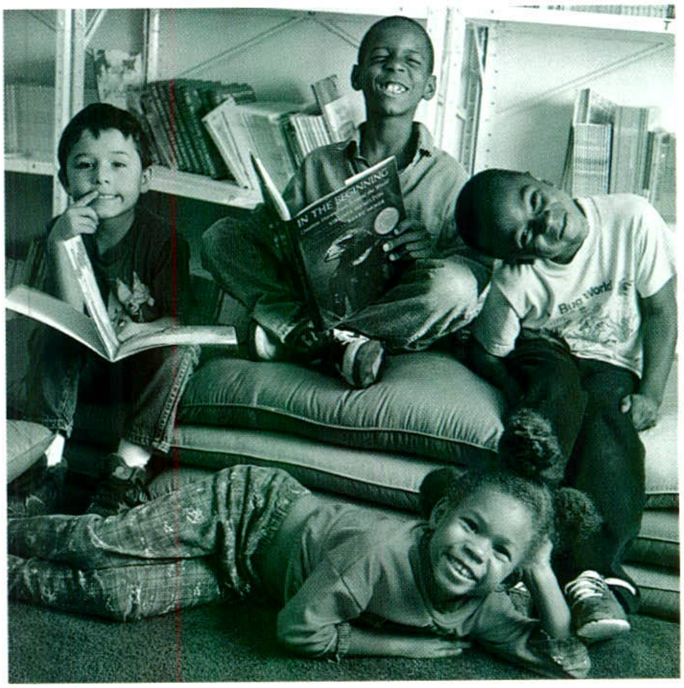
### Major Markets

| | |
|---|---|
| Chicago | 14 |
| Minneapolis/St. Paul | 10 |
| Detroit | 9 |

**Employees (at year-end):** 36,000

# We care about communities.

5%
*of our federally taxable income is invested in our communities each year.*



Joan Sheahan

**Dayton Hudson's commitment** to community is unique among retailers. Since 1946, we have invested 5% of our federally taxable income in social action and arts programs in our store communities. The total over those 49 years comes to $324 million. Giving through our three operating divisions and the Dayton Hudson Foundation (funded by the Corporation) totaled nearly $24 million in 1994, including $2.9 million in corporate contributions to 282 United Way organizations in 33 states. Employees added another $9.9 million, bringing the total 1994 contribution to the United Way by Dayton Hudson and its employees to $12.8 million.

**Social Action Giving.** Over 40% of funds were contributed to programs and projects that strengthen families, promote the economic independence of individuals or enable neighborhoods to respond strategically to key social and economic concerns. Target's partnership with Habitat for Humanity helped build 35 homes in 17 states as part of our commitment to disadvantaged families.

**Arts Giving.** Over 40% of funds were invested in programs and projects that strengthen artistic excellence and access to the arts in our communities. Marshall Field's received wide recognition for their efforts in establishing stronger alliances between Chicago schools and professional arts organizations.

**Employee Volunteerism.** Our employees also give freely of their time to the community. Mervyn's School Partnership Program encourages employees to tutor students and helps schools in fundraising. In addition, Target's Good Neighbor volunteers and Dayton's retiree volunteers are involved in everything from environmental cleanups to delivering meals on wheels for elderly shut-ins.

Dayton Hudson is proud to do more than any other retailer to keep our communities strong.

# Directors and Management

## Directors

**Rand V. Araskog,** 63
Chairman, President, and Chief Executive Officer, ITT Corporation
(diversified multinational company) (1) (3) (5) (6)

**Robert A. Burnett,** 67
Retired Chairman and Chief Executive Officer, Meredith Corporation
(media company engaged in printing, publishing, broadcasting and real estate) (1) (3) (4) (6)

**Livio D. DeSimone,** 58
Chairman and Chief Executive Officer, 3M
(diversified manufacturer) (1) (2) (5) (6)

**Roger A. Enrico,** 50
Vice Chairman, PepsiCo, Inc.
(domestic and international beverage and food business) (1) (3) (5) (6)

**William W. George,** 52
President and Chief Executive Officer, Medtronic, Inc.
(therapeutic medical device company) (1) (2) (4) (6)

**Roger L. Hale,** 60
Vice Chairman, Executive Committee, Dayton Hudson Corporation
President and Chief Executive Officer, TENNANT
(industrial equipment manufacturer) (1) (3) (5) (6)

**Betty Ruth Hollander,** 65
Chairman and Chief Executive Officer, Omega Technologies, Inc.
(manufacturer of scientific measurement and control devices and systems, technical publishing, and industrial and commercial real estate development) (1) (3) (4) (6)

**Michele J. Hooper,** 43
Corporate Vice President, International Businesses, Caremark International, Inc.
(health care company) (1) (2) (5) (6)

**Mary Patterson McPherson,** 59
President, Bryn Mawr College
(institute for higher learning) (1) (2) (4) (6)

**Solomon D. Trujillo,** 43
President and Chief Executive Officer, US West Marketing Resources Group
(directory publishing information services and software business) (1)

**Robert J. Ulrich,** 51
Chairman and Chief Executive Officer, Dayton Hudson Corporation and Target (1)

**John R. Walter,** 48
Chairman and Chief Executive Officer, R. R. Donnelley & Sons Company
(printing and printing services) (1) (2) (4) (6)

**Stephen E. Watson,** 50
President, Dayton Hudson Corporation
Chairman and Chief Executive Officer, Department Store Division

(1) Executive Committee
(2) Audit Committee
(3) Compensation Committee
(4) Corporate Responsibility Committee
(5) Finance Committee
(6) Nominating Committee

## Officers

**Robert J. Ulrich***+, 51
Chairman and Chief Executive Officer, Dayton Hudson Corporation and Target

**Stephen E. Watson***+, 50
President, Dayton Hudson Corporation
Chairman and Chief Executive Officer, Department Store Division

**Kenneth B. Woodrow***+, 50
President, Target

**Larry V. Gilpin***+, 51
Senior Vice President, Team, Guest and Community Relations, Target

**Robert G. McMahon***+, 46
Senior Vice President, Property Development, Target

**John E. Pellegrene***+, 58
Senior Vice President, Marketing, Target

**Gregg W. Steinhafel***+, 40
Executive Vice President, Merchandising, Target

**Paul W. Sauser***+, 47
President and Chief Operating Officer, Mervyn's

**Raj Joneja***+, 47
Executive Vice President, Merchandising and Marketing, Mervyn's

**James T. Hale***+, 54
Senior Vice President, General Counsel and Secretary, Dayton Hudson Corporation

**Douglas A. Scovanner***+, 39
Senior Vice President and Chief Financial Officer, Dayton Hudson Corporation

**Gerald L. Storch***+, 38
Senior Vice President, Strategic Planning, Dayton Hudson Corporation

**Edwin H. Wingate***+, 62
Senior Vice President, Personnel, Dayton Hudson Corporation

**JoAnn Bogdan***, 42
Controller and Chief Accounting Officer, Dayton Hudson Corporation

**Gail J. Dorn,** 32
Vice President, Communications, Dayton Hudson Corporation

**L. Fred Hamacher,** 56
Vice President, Compensation and Benefits, Dayton Hudson Corporation

**William E. Harder,** 62
Vice President, Law, Deputy General Counsel and Assistant Secretary, Dayton Hudson Corporation

**William P. Hise,** 58
Assistant Secretary, Dayton Hudson Corporation

**Stephen C. Kowalke,** 37
Treasurer, Dayton Hudson Corporation

**Jack N. Reif,** 47
Assistant Treasurer, Dayton Hudson Corporation

* Executive Officer
\+ Corporate Operating Committee Member

Dayton Hudson Corporation
Corporate Offices: 777 Nicollet Mall
Minneapolis, Minnesota 55402
(612)370-6948

**Dayton Hudson Corporation** 1994 Annual Report

### Annual Meeting
The Annual Meeting of Shareholders is scheduled for May 24, 1995 at 9:30 a.m. CDT at The Children's Theatre, 2400 Third Avenue South, Minneapolis, Minnesota.

### 10-K Report
A copy of the Form 10-K Annual Report, filed with the Securities and Exchange Commission for Dayton Hudson's fiscal year ended January 28, 1995, is available at no charge to shareholders. Write to Director, Investor Relations, at the Dayton Hudson corporate offices.

### Quarterly Shareholder Information
With advances in technology and the increasing speed of communications, the quarterly shareholders' report no longer provides a timely source of information for many investors. In order to address this concern, we will make available, upon request and at no charge to shareholders, a copy of the quarterly earnings news release and/or the 10-Q, filed each quarter with the Securities and Exchange Commission. At the same time, Dayton Hudson Corporation is discontinuing production and distribution of its Quarterly Shareholders' Report, effective with the first quarter of fiscal 1995. To obtain a copy of the current quarter's results, you may call 612-370-6736 or write to: Director, Investor Relations, Dayton Hudson corporate offices, 777 Nicollet Mall, Minneapolis, Minnesota 55402.

### Dividend Reinvestment Plan
The dividend reinvestment plan is a convenient way for Dayton Hudson shareholders to acquire additional shares of the Corporation's common stock through automatic dividend reinvestment or voluntary cash purchase. All registered holders of Dayton Hudson common stock may participate. For more information, write to First Chicago Trust Company of New York, P.O. Box 2500, Jersey City, NJ 07303-2500, or call 1-800-446-2617.

### Transfer Agent, Registrar and Dividend Disbursing Agent
First Chicago Trust Company of New York

### Trustee, Employee Savings (401K) and Pension Plans
First Trust National Association

### Stock Exchange Listings
(Trading symbol DH) New York Stock Exchange and Pacific Stock Exchange

### Shareholder Assistance
For assistance regarding individual stock records, lost certificates, name or address changes, dividend or tax questions, write to First Chicago Trust Company of New York, P. O. Box 2500, Jersey City, NJ 07303-2500, or call 1-800-446-2617.

Printed entirely on recycled paper which includes 10% post-consumer waste.